

DAVICOM Semiconductor, Inc.

2021 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Contact Information

Spokesperson

Name: Chun-Chun Yang

Title: Chief Financial Officer

Tel: 886-3-579-8797

E-mail: james_yang@davicom.com.tw

Deputy Spokesperson

Name: Kuei-Feng Chiu

Title: Finance Manager

Tel: 886-3-579-8797

E-mail: addie_chiu@davicom.com.tw

Headquarters, Branches and Plant

Address: No.6, Li-Hsin Road 6, Hsinchu Science Park, Hsinchu, Taiwan

Tel: 886-3- 579-8797

Stock Transfer Agent

Fubon Securities Co., Ltd.

Address: 2F.-1, No.17, Xuchang St., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

Tel: 886-2-2361-1300

Website: <http://www.fbs.com>

Auditors

PWC Accounting Firm

Auditors: Se-Kai Lin and Chia-Hung Lin

Address: 27F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Tel.: 886-2-2729-6666

Website: <http://www.pwc.com.tw>

Overseas Securities Exchange

None

Corporate Website

<http://www.davicom.com.tw>

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I. Letter to Shareholders

Dear Shareholders,

I would like to thank you for your continuing support throughout the year. DAVICOM has responded to the changing business climate by adopting an aggressive stance in strengthening our competitiveness. As of the end of December – 2021, our company generated net income of NT \$80.91 million on consolidated revenue of NT \$283.47 million. Our company has been continuously posting profits for 64 quarters.

The Company has four major product lines: ethernet chip, electronic paper driver chip, video decoder chip and AI chip. Last year's revenue didn't grow up as expected due to the impact of COVID-19 and China–United States trade war. The upstream and downstream semiconductor manufacturing has raised the price to respond to the increasing demand. The company, therefore, raised the price in Q2 to maintain its profit.

The IC product demand is increased than last year due to customers preparing inventory in advance, therefore the company operation is positive and the revenue and profit reach their climax even the market is continuously changing.

Looking forward to the year 2022, with the continued growth of AIoT and its diversified application, we look forward to future opportunities in the communications industry. Additionally, with the development of the 5G industry, Ethernet chips play an important role in increasing communication facilities. We expect that the growing demand for AIoT & 5G market will improve the company's business opportunities of the year.

Due to the insufficient production capacity and supply of other IC companies, the company grasps the opportunity to enter the market which originally belong to others. The epidemic hasn't recovered yet, however most of countries has release the restriction under the consideration of economy. The epidemic has not recovered yet, however, most countries has released the restriction under the consideration of the economy. The economic activities have gradually returned. The trend would help company operation development. In the Europe market, for example, the orders so far have increased compared to 2021.

As the situation of the Russia-Ukraine Conflict., China trade war, tech competition and COVID-19 epidemic are still tense. The impact is difficult to quantify, in terms of the overall environment, the trend has gradually taken shape and cannot be underestimated.

In addition, the potential threat of IC design industry in China and the rapid changes of product applications, the market is full of opportunities and risks, the company will remain flexible in the strategy operation to seek the best business opportunities in the market. We will continue the spirit of pragmatic approach to governance. Our management team and all the employees are making strides in achieving our company's goal – to create the most value for all shareholders – by implementing business plan, improving cost management and enhancing operating efficiency. Develop high-performance, power-saving, industrial-grade, and diverse interfaces from key core technologies of Ethernet to meet the market requirements of IoT and Industry 4.0 for smart grid, home, medical, security monitoring, automotive, industrial control, etc. The market needs to expand the series of e-paper driver chips for financial smart cards and electronic shelf labels, and actively develop and integrate relevant platforms to provide customers with high-quality and competitive products to stabilize customer relationships and to provide customers with customer-oriented to reach a win-win goal. Davicom gains a deep understanding of market application trends for market opportunities, and work closely with supply chain partners to obtain full support for expecting higher return on investment for shareholders to thank all shareholders for their long-term support.

Last but not the least, we would like to thank you - our shareholders - for your continuous support and belief in our efforts.

We wish you all health and happiness
Sincerest regards,

Chairman
Ting Hao

President
Ting Hao

Accounting Supervisor
Kuei-Feng Chiu

II. Company Profile

2.1 Date of Incorporation : August 16, 1996

In 1989, United Microelectronics Corporation (UMC), one of the largest semiconductor manufacturers in Taiwan, set up the Communication Product Division to develop Networking products.

Founded in 1996 by UMC Communication team and American networking experts, DAVICOM Semiconductor Inc. has become one of the leading IC design companies in Taiwan by meeting challenges head on and achieving steady growth. As of today, DAVICOM has developed over 20 digital and analog products, and applied for 15 IPs. DAVICOM became a listed company on August 6, 2007, on Taiwan Stock Exchange Corporation. (TWSE: 3094)

DAVICOM aims to develop the most professional Communication and Networking ICs techniques. With mixed-signal IC design, fast and precise integration, and technical supports for software application systems, we provide customers with the best solutions of SoC chipsets in Local Area Network (LAN), Wide Area Network (WAN), Personal Computing (PC) and Internet areas.

At DAVICOM, our philosophy has always centered on our belief in “Integrity and Humanity”. Thus, we make every effort to meet our customers' expectations and maintain their trust with quality consistency, efficient delivery and cost effectiveness. We will continue to provide best service and support to help customers gain competitive advantages in business and win more orders.

2.2 Company History

- (1). The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on the following: merger and acquisition activities; strategic investments in affiliated enterprises; corporate reorganization: None.
- (2). The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on the following: directors or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hands: None.
- (3). The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on the following: any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity: None
- (4). Material information of the previous fiscal years and the current fiscal year up to the date of publication of the annual report:

Year	Milestones
Aug. 1996	Founded in Hsinchu Science Park with NT\$130,000,000 capital.
Feb. 1997	Additional Cash Capital NT\$60,000,000, Paid-up Capital increased to NT\$190,000,000.
Jun. 1997	Launched 2 in 1 Internet Chip (DM9101F), 10/100M Base-TX PHY+MLT3 single chip Transceiver.
Sep. 1997	Additional Cash Capital NT\$50,000,000, Paid-up Capital increased to NT\$240,000,000.
Oct. 1997	DAVICOM was authorized by ISO 9001. (Issued by Lloyd's Register Inspection Limited Taiwan Branch for and on behalf of Lloyd's Quality Assurance Limited)
Jul. 1998	Launched 3 in 1 Internet Chip (DM9102F), Bus MAC Controller and PHY/Transceiver.
Apr. 1999	Additional Cash Capital NT\$160,000,000, Paid-up Capital increased to NT\$400,000,000.
Jun. 1999	Launched 56K Modem Chip (DM560P).
Oct. 1999	Launched DM9801, 0.35μm 1 Mbps Home Networking PHY/Transceiver.
Dec. 1999	Securities and Futures Institute authorized public offering.
May 2000	Replenished earnings and employee bonuses NT\$109,500,000 into Capital, Paid-up Capital increased to NT\$509,500,000.
Jun. 2000	Launched DM9102A, Bus MAC Controller and PHY/Transceiver.
Jun. 2001	Replenished earnings and employee bonuses NT\$21,880,000 into Capital, Paid-up Capital increased to NT\$531,380,000.
Oct. 2001	Launched DM9000, NON-PCI Bus MAC Controller and PHY/Transceiver.
May 2002	Launched DM9331A, Fiber Ethernet media converter chip.
Jun. 2002	Fulfilled the requirements of Emerging listing.
Mar. 2003	Launched the world's smallest IrDA MODEM Module.
Jun. 2003	Developed 802.11b WLAN MAC Control Chip.
Jun. 2003	Developed 10/100M 0.25μm PHY Chip.
Aug. 2003	DM9700, 1.8/3.3V 0.18μm 10/100/1000M Base-TX Single chip Gigabit MAC and PHY transceiver.
Oct. 2003	DM9102C, 2.5/3.3V 0.25μm 10/100M Base-TX Integrated PCI, Single chip Bus Embedded System.
Oct. 2003	DAVICOM was authorized by ISO 9001: version 2000. (Issued by Lloyd's Register Inspection Limited Taiwan Branch for and on behalf of Lloyd's Quality Assurance Limited)
Dec. 2003	Launched DM562AP, Support MFP G3 33.6K color fax with T.31 command.
Mar. 2004	DAVICOM moved to the new building.
Apr. 2004	Additional Cash Capital NT\$108,620,000, Paid-up Capital increased to NT\$640,000,000.
May 2004	Obtained Technology Company Listed Recommendation from Industrial Development Bureau of Economic Affairs.
May 2004	Launched DM3003, USB 2.0 Card Reader Controller.
Jun. 2004	Developed DM8603, Gigabit Switch.
Jan. 2005	Provided environmentally friendly products: RoHS.
May 2005	Launched DM6588A-E5 2.5/3.3V 0.25μm.
Sep. 2005	Launched DM9000A-E7.
Mar. 2006	Launched an integrated program of DM9218 and IP-CAM.
May 2006	Products obtained the certification of SONY SS-00259.

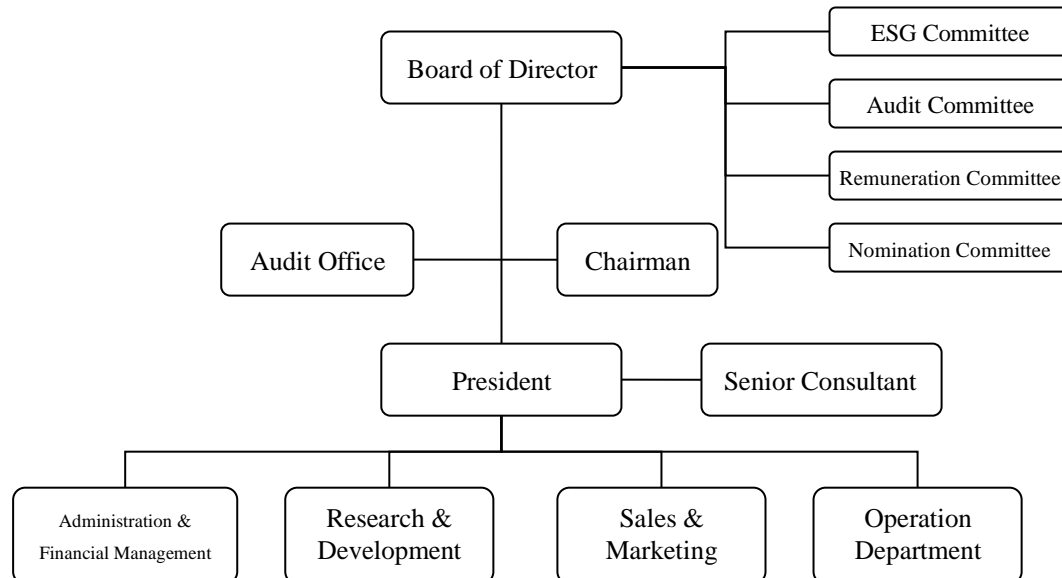
Jul. 2006	Launched DM9013.
Oct. 2006	Provided industry-standard products.
Nov. 2006	Launched DM6588A-E6 2.5/3.3V 0.25μm and Multi-function fax modem chip.
Jan. 2007	Launched DM9000B 0.18 μm.
Jan. 2007	Launched DM9161B 0.18 μm.
Apr. 2007	Obtained Technology Company Listed Recommendation from Industrial Development Bureau of Economic Affairs.
Jun. 2007	Distributed stock dividends from retained earnings and employee bonus NT\$10,542,000 transferred into Capital, Paid-up Capital increased to NT\$700,700,000.
Jun. 2007	Mass production of DM9003/ DM9103 and hit the market.
Aug. 2007	Additional Cash Capital NT\$93,430,000, Paid-up Capital increased to NT\$794,131,000.
Aug. 2007	Listed on Taiwan Stock Exchange (Code-3094) on August 6th.
Sep. 2007	Launched DM9102H 0.18 μm.
Sep. 2008	Launched the solution of IP2001 MPEG4 IP Camera.
Dec. 2008	Launched DM9016, Embedded Ethernet Switch Controller.
Feb. 2009	Launched DM9620, USB2.0 to Ethernet MAC Controller.
Jun. 2009	Launched DM9302.
Nov. 2009	DAVICOM was authorized by ISO 9001: version 2008. (Issued by Lloyd's Register Inspection Limited Taiwan Branch for and on behalf of Lloyd's Quality Assurance Limited)
Nov. 2009	Launched DM9621, Ethernet MAC Controller for USB Dongle.
Jan. 2010	Developed 802.3az Energy-saving technology.
Apr. 2010	Launched DM9161C.
May 2010	DM9620 & DM9621 certified by USB IF (ITD40001021).
Aug. 2010	Launched DM8606C.
Oct. 2010	Launched DM8603/DM8203.
Nov. 2010	DAVICOM won Gold Medal of 2010 Standard Chartered SMEs.
Nov. 2010	DM9620 & DM9621 certified by Microsoft drivers.
Dec. 2010	Developed IEEE1588 Precise time synchronization technology.
Mar. 2011	Developed DM8806.
Apr. 2011	Developed DM8603A.
Jul. 2011	Developed DM9633 USB3.0, to Ethernet MAC Controller.
Dec. 2011	Launched DM9162.
May 2012	Launched DM9620A/ DM9621A, USB to Ethernet MAC Controller.
Jul. 2012	Launched DM8806/ DM8806L.
Jul. 2012	Launched hearing aid software "HearingAmp" and was available on iTunes.
Nov. 2012	Launched Medical Care return pass system hardware, firmware and server platform.
Mar. 2013	Launched new IC product line: Video Decoder 1-Channel: DM5900/ DM5960/ DM5150/DM5160.
May 2013	Launched hearing aid software "HearingAmp V1.2" and was available on iTunes.
Jul. 2013	Launched new IC product line: Video Decoder 4-Channel: DM5865/ DM5866/ DM5885/DM5886.
Sep. 2013	Launched hearing aid software "HearingAmp V1.3" and is available on iTunes.

Nov. 2013	Launched Medical Care return pass system Apps.
Apr. 2014	Launched DM9163.
Jul. 2014	Purchased Teamtech Technology Corp EPD Driver and SoC IC product line.
Aug. 2014	Launched DM9051.
Sep. 2014	Launched hearing aid software “HearingAmp V1.4” and was available on iTunes.
Nov. 2014	Launched hearing aid software “HearingAmp V1.5” and was available on iTunes.
Sep. 2015	Developed tricolor e-paper driver with wireless energy harvesting chips.
Oct. 2015	Developed embedded portable hearing aid software “HearingPod V1.0”.
Nov. 2015	Developed voltage mode low-power high speed Ethernet transceiver chipsets.
Apr. 2016	Launched hearing aid software “HearingAmp V1.6” and was available on iTunes.
May. 2016	Developed a digital circuit with flexible operation capability to precisely control an analog circuit and can be applied to medical products.
Nov. 2016	Completed the foresighted hearing aid platform of HearingPod V1.1 smart device.
Dec. 2016	Launched hearing aid software “HearingAmp V1.7” and was available on iTunes.
Mar. 2017	Complete the smart device of advanced hearing-aid platform HearingPod V1.3
May 2017	Developing the cluster nodes communication system on shelf labels application ESL.
Jun. 2017	Complete in-audio hearing-aid platform HearingPod V1.3.
Dec. 2017	Developing the best waveform display mode based on environment temperature and RF power driven EPD IC.
Mar. 2018	Import 0.11u process on ethernet chip DM9111A.
Jul. 2018	Launched one-to-many node high-speed data exchange and power-saving transmission protocol for wireless communication for electronic paper price label system.
Oct. 2018	Develop Dot Matrix Type Electronic Paper Driver IC with Image Frame Decompression Algorithm.
Sep.2019	Launched build-in temperature sensor three colors EPD Segment driver IC
Oct.2019	Launched industry temperature 10/100/1000M Ethernet Giga-PHY transceiver
Nov.2019	Launched AI SoC With Integrated Image Recognition
Nov.2019	Launched MCU IC for TENS application
Jan.2020	Develop RFID Trajectory Algorithm
Apr.2020	Develop Universal Serial Bus to Universal Asynchronous Receiver Transmitter converter control IC
Jul.2020	Develop Fusing RFID and Vision Technology
Mar.2021	Develop the algorithm and weighting model system application of Edge AI chip.
Jun.2021	Develop the human and objects precision locating system with RFID and AI operation.
Nov.2021	Develop the real-time Ethernet network application protocol and algorithm.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Department Functions

Department	Functions
President	Strategic planning, business planning authorization and supervision.
Audit Office	Identifying deficiencies in the internal control system, assessing the effectiveness and efficiency of operations, providing appropriate improvement suggestions to ensure the effectiveness of the internal control system as well as for continuous improvement.
Sales and Marketing	In charge of formulating and implementing corporate marketing strategy, product plans, and customer service.
Research and Development	Responsible for research design and development of communication IC products, sample verification, and programs writing for system testing and IC driver.
Operations Department	Responsible for product manufacturing and production capacity allocation. Planning and execution of quality control systems, general affairs and other affairs.
Administration and Financial Management	The management department is in charge of planning and execution of human resource management; The financial department is in charge of financial policy management and accounting. The Information Technology Department is responsible for the company's system management and software development.

3.1.3 Management Team

Title	Name	Work Experience	Education
Chairman as President	Ting Hao	Founder of DAVICOM Semiconductor, Inc.	Doctor , Business Management, Victoria University Master , EECS, UC Berkeley Bachelor , Dept. of Electrical and Control Engineering, National Chiao Tung University
Senior Vice President	Wen-Hsien Chen	Former General Manager of Medicom Corporation	Master , Electrical Engineering, State University of New York
Vice President	Hsin-Min Yu	United Microelectronics Corp.	Master , EMBA National Tsinghua University
Chief Technology Officer	Cheng-Fang Chiu	Former Deputy Manager of UMC	Master , Dept. of Computer Science, National Tsinghua University Bachelor , Dept. of Information Engineering and Computer Science, Feng Chia University
Chief Financial Officer	Chun-Chun Yang	Former CFO of C-COM Ltd.	Bachelor , Dept. of Cooperative Economics, Feng Chia University

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

(1). Directors Information

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Ting Hao	Male 61-70	June 12, 2019	3	May 21, 1999	1,602,800	1.89	1,844,000	2.22	0	0.00	0	0.00	Doctor , Business Management, Victoria University Master , EECS, UC Berkeley Bachelor , Electrical and Control Engineering, National Chiao Tung University	-Independent Director, United Integrated Services Co., Ltd.	-	-	-	Chairman as President
Director	R.O.C.	Goodyears Investments Ltd. (Representative person : Wen-Chen Lin)	Female 51-60	June 12, 2019	3	June 12, 2006	3,982,475	4.70	3,982,475	4.79	0	0.00	0	0.00	TSMC Senior Engineer Department of Information Management, Ming Chuan University	- Director, DAVICOM Semiconductor Inc.	-	-	-	-
Director	R.O.C.	Tzay Hua Ltd. (Representative person : Cheng -Feng Chiu)	Male 51-60	June 12, 2019	3	June 10, 2013	1,480,652	1.75	1,480,652	1.78	0	0.00	0	0.00	Former Vice President of Medicom Corporation Master, Dept. of Electronic engineering, National Chiao Tung University	-Director of Advanced Development Division Dept.of Davicom -Director of the Medicom Corporation	-	-	-	-
Director	R.O.C.	Yun-Ping Lin	Male 61-70	June 12, 2019	3	June 12, 2019	858,000	1.01	900,000	1.08	0	0.00	0	0.00	Executive Master of Business Administration (EMBA), National Chung Hsing University	-Owner of Sane Way Enterprises Co.. Ltd. -Owner of Crown Star International Investment Co.,	-	-	-	-
Independent director	R.O.C.	Chang-Yue Ueng	Male 51-60	June 12, 2019	3	June 12, 2019	150,000	0.18	150,000	0.18	0	0.00	0	0.00	CFO,Controller Sonavox Electronics Co., Ltd. VP & CFO, Administration Center Ichia Technologies, Inc.. Ph.D. of Statistics, Colorado State University, USA	-Financial Manager,Kwo Ger Metal Technoloby Inc.	-	-	-	-
Independent irector	R.O.C.	Jen-Jyh Hwang	Male 61-70	June 12, 2019	3	June 20, 2005	0	0.00	0	0.00	0	0.00	0	0.00	Associate Professor, National Sun-Yat-sen University Ph.D,Dept. of Mechanical Engineering, The Pennsylvania State University, USA	- Adjunct Associate Professor, National Sun-Yat-sen University -Independent director of JG Environment Tech.	-	-	-	Term: 2019/6 till Now
Independent director	R.O.C.	Niang-Shou Wei	Male 61-70	June 12, 2019	3	June 12, 2019	2,000	0.00	4,000	0.00	0	0.00	0	0.00	Director of Production and Operations Center Shanghai Fanfeng Vacuum Machinery Co., Ltd. Executive Master of Business Administration (EMBA), National Tsing Hua University	- Director, DAVICOM Semiconductor Inc.	-	-	-	-

Note 1: For a corporate shareholder, the name of the corporate shareholder and its representative shall be listed separately (when listing the representative of a corporate shareholder, the name of the corporate shareholder shall also be noted), and Form 1 below shall also be completed.

Note 2: Please state the actual age, or, alternatively, state the age interval into which the actual age falls, e.g., 41~50 years, 51~60 years.

Note 3: Specify the time the person first began to serve as a director or supervisor of the Company. If there has been any break within a term or between terms, add a note specifying the circumstances.

Note 4: Specify experience and qualifications related to the current position. If during a period specified above the person has served in a position at a CPA firm that serves as external auditor/attestor, specify the position held and the duties for which the person was responsible.

Note 5: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g., increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer).

Note :The explanation of the Chairman and the President of the company are the same person.

The board of directors approved Chairman Dr. Ting Hao concurrently act as the President of the Company due to the retirement of the former president Mr. Nien-Tai Chen. The board of directors consider it's necessary that Chairman Dr. Ting Hao concurrently act as the President.

The measures adopted in response: The Company value the corporate governance. The Company has established the "Nomination Committee"," Audit Committee"," Remuneration Committee" and ESG Committee. The Company has initiatively prepared the CSR report from 2015 which fully disclosed the Company's cooperate social responsibility execution status. There are three independent directors in seven directors. Two directors concurrently act as the employee or manager is reasonable.

(2). Major Shareholders of the Institutional Shareholders

May 01, 2022

Name of Institutional Shareholders	Major Shareholders
Goodyears Investments Ltd.	Ke-Chen Cheng (90.18%)
Tzay Hua Ltd.	Ke-Chen Cheng (61.72%)

Note 1: If a director or supervisor is a representative of a corporate shareholder, fill in the name of that corporate shareholder.

Note 2: Fill in the names of the corporate shareholder's major shareholders (those with a shareholding ratio ranking among the top 10) and their shareholding ratios. If any of the major shareholders is a corporate/juristic person, also complete Form 2 below.

Note 3: If a corporate/juristic person shareholder is not organized as a company, the shareholder names and shareholding ratios required to be disclosed as mentioned above shall be the names of the capital contributors or donors (for further information, please refer to the announcements of the Judicial Yuan) and their capital contribution or donation rates, respectively. If a donor has died, please further note "deceased."

(3). Major Shareholders of the Company's Major Institutional Shareholders

May 01, 2022

Name of Institutional Shareholders	Major Shareholders
NA	NA

Note 1: If any major shareholder in Form 1 above is a corporate/juristic person, fill in the name of that corporate/juristic person.

Note 2: Fill in the names of the corporate/juristic person's major shareholders (those with a shareholding ratio ranking among the top 10) and their shareholding ratios.

Note 3: If a corporate/juristic person shareholder is not organized as a company, the shareholder names and shareholding ratios required to be disclosed as mentioned above shall be the names of the capital contributors or donors (for further information, please refer to the announcements of the Judicial Yuan) and their capital contribution or donation rates, respectively. If a donor has died, please further note "deceased."

(4). Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and Supervisors and the Independence of Independent Directors:

Independent Directors:			
Name \ Qualification	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Ting Hao	Have Work Experience in the Areas of Commerce, or Otherwise Necessary for the Business of the Company	Not Applicable	1
Goodyears Investments Ltd. (Representative person: : Wen-Chen Lin)	Have Work Experience in the Areas of Commerce, or Otherwise Necessary for the Business of the Company		0
Tzay Hua Ltd. (Representative person : Cheng-Feng Chiu)	Have Work Experience in the Areas of Commerce, or Otherwise Necessary for the Business of the Company		0
Yun-Ping Lin	Have Work Experience in the Areas of Commerce, or Otherwise Necessary for the Business of the Company		0
Chang-Yue Ueng	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company and not against Article 30 of the Company Law	All independent directors meet the following conditions: 1. Comply with the relevant regulation of Article 14-2 of the Securities and Exchange Act promulgated by the FSC and Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies 2. A natural-person (held by the person under others' names) spouse, minor children, didn't held the company's shares. 3. Didn't received the remuneration from the company or its affiliated companies for providing business, law, finance, accounting and other service.	0
Jen-Jyh Hwang	An Instructor in a Department of Commerce, or Other Academic Department Related to the Business Needs of the Company in a Public or Private College or University		1
Niang-Shou Wei	Have Work Experience in the Areas of Commerce, or Otherwise Necessary for the Business of the Company		0
Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor. Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates? ; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)?; specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.			

(5). Diversity and Independence of the Board of Directors:

Board of directors' expertise

The company has a "Nomination Committee" and adopts a "Candidate Nomination System". All director candidates are nominated and qualified by the "Nomination Committee". After the resolution of the board of directors is passed, they are sent to the shareholders' meeting for election. According to Article 20, Item 4 of the Company's "Corporate Governance Best Practice Principles for Companies".

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

- 1). Ability to make operational judgments.
- 2). Ability to perform accounting and financial analysis.
- 3). Ability to conduct management administration.
- 4). Ability to conduct crisis management.
- 5). Knowledge of the industry.
- 6). An international market perspective.
- 7). Ability to lead.
- 8). Ability to make policy decisions.

Diversity of the Board of Directors

In order to strengthen corporate governance and promote the development of the composition and structure of the board of directors, in Article 20, item 3 of the Corporate Governance Best Practice Principles for Companies revised on November 11, 2016, the composition of the board of directors should consider diversity. The number of directors should not exceed one-third of the number of directors, and an appropriate diversity policy should be formulated according to its own operation, operation type and development needs. It should include but not limited to the following two standards:

- 1). Basic conditions and values: gender, age, nationality and culture, etc.
- 2). Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The current board of directors of the company consists of 7 directors, including 4 directors and 3 independent directors. The members have extensive experience and expertise in accounting, finance, technology, industry and management. In addition, the company also pays attention to gender equality in the composition of the board of directors. There must be at least one female director. At present, there are 7 directors, including 1 female director, with a ratio of 1/7.

Name	Composition								Industry Experience				Professional ability			
	Gender	Nationality	Employee of the company	Age		Term of Independent Directors			Net work Communication	Information Management and Security	Semiconductor IC Design	Industry Knowledge	Accounting	Information Technology	Risk Management	Financial Management
				51-60	60-70	Less than 3 years	3 to 9 years	More than 9 years								
Chairman: Ting Hao	Male	R.O.C.	V		V				V	V	V	V	V	V	V	V
Goodyears Investments Ltd. (Representative person : Wen-Chen Lin)	Female	R.O.C.		V								V	V		V	V
Tzay Hua Ltd. (Representative person : Cheng-Feng Chiu)	Male	R.O.C.	V	V					V	V	V	V		V		
Director : Yun-Ping Lin	Male	R.O.C.			V							V			V	V
Independent director : Chang-Yue Ueng	Male	R.O.C.		V		V				V		V	V	V	V	V
Independent director : Jen-Jyh Hwang	Male	R.O.C.			V	V				V		V			V	
Independent director : Niang-Shou Wei	Male	R.O.C.			V	V			V		V	V		V		V

Independence of the Board of Directors :

The current board of directors of the company consists of 7 directors, including 3 independent directors. The 3 independent directors do not have the conditions specified in paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act, including the relationship of spousal relationship or familial relationship within the second degree of kinship between any directors, between any supervisors, or between any director(s) and supervisor(s).

3.2.2 Profiles of Key Managers

May 01, 2022 / Unit : shares

Title	Nationality / Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse and Minor Shareholding		Shares Held in the Name of Others		Experience (Education)	Other Position	Managers who are Spouses or Within Second-Degrees of Relative of Consanguinity to Each Other			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Ting Hao	Male	Mar. 11, 2019	1,844,000	2.22	0	0.00	0	0.00	Doctor , Business Management, Victoria University Master , EECS, UC Berkeley Bachelor , Electrical and Control Engineering, National Chiao Tung University	Independent director of United Integrated Services Co., Ltd.	NA	NA	NA	Chairman as President
CFO	R.O.C.	Chun-Chun Yang	Male	Aug. 17, 2010	50,099	0.06	0	0.00	0	0.00	Bachelor , Cooperative Economics, Feng Chia University	Chairman of Medicom Co.	NA	NA	NA	
CTO/Vice President	R.O.C.	Cheng-Fang Chiu	Male	Aug. 10, 2016	100,508	0.12	1,671	0.00	0	0.00	Master , Computer Science, NTHU	NA	NA	NA	NA	
Senior Vice President	R.O.C.	Wen-Hsien Chen	Male	Jul. 02, 2012	63,185	0.08	0	0.00	0	0.00	Master , Electrical Engineering, State University of New York	NA	NA	NA	NA	
Vice President	R.O.C.	Hsin-Min Yu	Male	Jan. 07, 2021	220,610	0.27	0	0.00	0	0.00	Master , MBA NTHU	NA	NA	NA	NA	

Note 1: The information in this table should be disclosed for the general manager, assistant general managers, deputy assistant general managers, and the chiefs of all the company's divisions and branch units, including all persons in positions equivalent to general manager, assistant general manager, or deputy assistant general manager, regardless of job title.

Note 2: Specify experience and qualifications related to the current position. If during a period specified above, the person has served in a position at a CPA firm that serves as external auditor/attestor, specify the position held and the duties for which the person was responsible.

Note 3: If the general manager or person of an equivalent post (the highest level manager) and the chairperson of the board of directors of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer).

Note 4: The explanation of the Chairman and the President of the company are the same person. The board of directors approved Chairman Dr. Ting Hao concurrently act as the President of the Company due to the retirement of the former president Mr. Nien-Tai Chen. The board of directors consider it's is necessary that Chairman Dr. Ting Hao concurrently act as the President.

The measures adopted in response: The Company value the corporate governance. The Company has established the "Nomination Committee", "Audit Committee", "Remuneration committee" and CSR Committee.

The Company has initiatively prepared the CSR report from 2015 which fully disclosed the Company's CSR execution status. There are three independent directors in seven directors. Two directors concurrently act as the employee or manager is reasonable.

3.3 Remuneration of Directors (including Independent Directors), President, and Vice President

3.3.1 Remuneration of Directors and Independent Directors

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 7)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from Affiliates or Parent Company(Note 8)
		Base Compensation (A) (Note 1)		Severance Pay and Pensions (B)		Bonus to Directors (C) (Note 2)		Allowances (D) (Note 3)				Salary, Bonuses, and Allowances (E) (Note 4)		Severance Pay and Pensions (F)		Profit Sharing- Employee Bonus (G) (Note 5)						
		The company	From All Consolidated Entities (Note 6)	The company	From All Consolidated Entities (Note 6)	The company	From All Consolidated Entities (Note 6)	The company	From All Consolidated Entities (Note 6)	The company	From All Consolidated Entities(Note 6)	The company	From All Consolidated Entities (Note 6)	The company		From All Consolidated Entities (Note 6)		The company	From All Consolidated Entities(Note 7)			
														Cash	Stock	Cash	Stock					
Chairman	Ting Hao	0	0	0	0	323	323	15	15	0.48	0.48	3,982	3,982	0	0	347	0	347	0	6.70	6.70	NA
Director	Goodyears Investments Ltd.(Representative person : Wen-Chen Lin)	0	0	0	0	323	323	13	13	0.48	0.48	0	0	0	0	0	0	0	0	0.48	0.48	NA
Director	Tzay Hua Ltd. (Representative person : Cheng-Feng Chiu)	0	0	0	0	323	323	15	15	0.48	0.48	1,808	1,808	95	95	157	0	157	0	3.44	3.44	NA
Director	Yun-Ping Lin	0	0	0	0	323	323	8	8	0.47	0.47	0	0	0	0	0	0	0	0	0.47	0.47	NA
Independent director	Chang-Yue Ueng	0	0	0	0	172	172	312	312	0.70	0.70	0	0	0	0	0	0	0	0	0.70	0.70	NA
Independent director	Jen-Jyh Hwang	0	0	0	0	172	172	315	315	0.70	0.70	0	0	0	0	0	0	0	0	0.70	0.70	NA
Independent director	Niang-Shou Wei	0	0	0	0	172	172	312	312	0.70	0.70	0	0	0	0	0	0	0	0	0.70	0.70	NA

1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid.
- The remuneration policy for directors of the Company is as follows:
- (1) According to the Articles of Incorporation, whether company's income gain or loss, the company should pay remuneration to directors when they fulfill their responsibility. The remuneration shall be paid according to the directors' contribution and value to company's operation, and authorize the board of directors to pay the compensation according to the general pay levels in the industry.
 - (2) The payment standard of directors' travelling expense and monthly compensation is set by the company's remuneration committee and the board of directors:
 - (A) Attendance fee for directors and independent directors per meeting is NTD 2,500 (once a day)
 - (B) Since all independent directors serve as members of functional committees (such as the nomination committee, remuneration committee and audit committee), they are responsible for participating in discussions and resolutions at committee meetings, so they have a monthly allowance of NTD25,000 for the fulfillment of business operations. General directors do not have this allowance.
 - (3) The company's annual director's remuneration shall be set aside not more than 2% of the current year's pre-tax earnings in accordance with the company's articles of incorporation. If the amount of directors' remuneration is more than NTD 600,000, it will be allocated to each of the 4 directors with NTD 150,000, and the excess amount will be shared equally by all directors and independent directors. If the director's compensation amount is less than NTD 600,000, the Director's remuneration is divided equally among the four directors.
- Note 1: This refers to director base compensation in the most recent fiscal year (including director salary, duty allowances, severance pay, and various rewards and incentives, etc.).
- Note 2: The board of directors approved the proposed distribution of 2021 directors' remuneration total 1,808 thousands on 2022/02/24(Board of Directors' Meeting) before 2022 shareholder's meeting. The remuneration disclosure of each director is round to nearest thousand, the following are unconditionally rounded down.
- Note 3: This refers to director expenses and perquisites in the most recent fiscal year (including travel expenses, special disbursements, stipends of any kind, etc.)
- Note 4: This includes any remuneration received by a director for concurrent service as an employee in the most recent year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee) including salary, duty allowances, severance pay, rewards, incentives, travel expenses, special disbursements, stipends of any kind, etc.)
- Note 5: This refers to employee profit-sharing compensation (including stocks and cash) received by a director for concurrent service as an employee in the most recent fiscal year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee).
- Note 6: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.
- Note 7: The remuneration amount of directors of the Company have received from investee enterprises other than subsidiaries or from the parent company. Remuneration means remuneration received by directors of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.
2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities /invested enterprises): None

Remuneration of Directors

Unit: NT\$ thousands/ thousands shares

Range of Remuneration	Name of Directors			
	Compensation Paid to Directors (A+B+C+D)		Compensation Paid to Directors (A+B+C+D+E+F+G)	
	The company (Note 8)	From All Consolidated Entities (Note 9)	The company (Note 8)	From All Consolidated Entities (Note 9)
Less than NT\$1,000,000	Ting Hao Goodyears Investments Ltd. (Representative person : Wen-Chen Lin) Tzay Hua Ltd. (Representative : Cheng-Feng Chiu) Yun-Ping Lin Chang-Yue Ueng Jen-Jyh Hwang Niang-Shou Wei		Goodyears Investments Ltd. (Representative person : Wen-Chen Lin) Yun-Ping Lin Chang-Yue Ueng Jen-Jyh Hwang Niang-Shou Wei	
NT\$1,000,000 (incl.) ~ NT\$2,000,000 (excl.)	-		-	
NT\$2,000,000 (incl.) ~ NT\$3,500,000 (excl.)			Tzay Hua Ltd. (Representative person : Cheng-Feng Chiu)	
NT\$3,500,000 (incl.) ~ NT\$5,000,000 (excl.)			Ting Hao	
NT\$5,000,000 (incl.) ~ NT\$10,000,000 (excl.)				
NT\$10,000,000 (incl.) ~ NT\$15,000,000 (excl.)				
NT\$15,000,000 (incl.) ~ NT\$30,000,000 (excl.)				
NT\$30,000,000 (incl.) ~ NT\$50,000,000 (excl.)				
NT\$50,000,000 (incl.) ~ NT\$100,000,000 (excl.)				
NT\$100,000,000 or more				
Total	7	7	7	7

- Note 1: The name of each director shall be stated separately (for a corporate shareholder, the names of the corporate shareholder and its representative shall be stated separately) and the names of the ordinary directors and independent directors shall be stated separately, based on the amount of the aggregated remuneration items paid to each. If a director concurrently serves as a general manager or an assistant general manager, please complete this table and following table.
- Note 2: This refers to director base compensation in the most recent fiscal year (including director salary, duty allowances, severance pay, and various rewards and incentives, etc.).
- Note 3: Please fill in the amount of director profit-sharing compensation approved by the board of directors for distribution for the most recent fiscal year.
- Note 4: This refers to director expenses and perquisites in the most recent fiscal year (including travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, etc.). If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration.
- Note 5: This includes any remuneration received by a director for concurrent service as an employee in the most recent year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee) including salary, duty allowances, severance pay, rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, etc. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2—including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc.—should be included in the calculation of remuneration.
- Note 6: This refers to employee profit-sharing compensation (including stocks and cash) received by a director for concurrent service as an employee in the most recent fiscal year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee). The amount of employee compensation proposed to be distributed as approved by the board of directors on February 24, 2022, before the shareholders' meeting of the most recent annual profit distribution proposal should be disclosed.
- Note 7: Disclose the total amount of remuneration in each category paid to the directors of the Company by all companies in the consolidated financial report (including the Company).
- Note 8: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director by the Company.
- Note 9: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director of the Company by all companies in the consolidated financial report (including the Company).
- Note 10: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.
- Note 11: a. In this column, specifically disclose the amount of remuneration received by the directors of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state "None"). b. If directors of the Company have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column I of the Remuneration Range Table, and the name of that column shall be changed to "Parent company and all investee enterprises." c. Remuneration means remuneration received by directors of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.
- *This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act

3.3.2 Remuneration of Supervisors :

The company established the Audit Committee on July,05,2010. No remuneration of supervisors.

3.3.3 Remuneration of the President and Vice President

Unit: NT\$ thousands/ thousands shares

Title	Name	Salary(A) (Note 2)		Severance Pay and Pensions (B)		Bonuses and Allowances (C) (Note 3)		Profit Sharing- Employee Bonus (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 8)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary (Note 9)
		The company	From All Consolidated Entities (Note 5)	The company	From All Consolidated Entities (Note 5)	The company	From All Consolidated Entities (Note 5)	The company		From All Consolidated Entities (Note 5)		The company	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
President	Ting Hao	2,936	2,936	0	0	1,045	1,045	347	0	347	0	6.21	6.21	NA
Senior Vice President	Wen-Hsien Chen	1,758	1,758	108	108	443	443	0	0	0	0	3.31	3.31	NA
Vice President	Cheng-Fang Chiu	1,823	1,823	108	108	310	310	128	0	128	0	3.40	3.40	NA
Vice President	Hsin-Min Yu	1,639	1,639	103	103	279	279	164	0	164	0	3.14	3.14	NA

Remuneration of President and Vice President

Range of Remuneration	Name of President and Vice President	
	The company	From All Consolidated Entities
Less than NT\$1,000,000		
NT\$1,000,000 (incl.)~NT\$2,000,000 (excl.)		
NT\$2,000,000 (incl.)~NT\$3,500,000 (excl.)	Wen-Hsien Chen Cheng-Fang Chiu Hsin-Min Yu	Wen-Hsien Chen Cheng-Fang Chiu Hsin-Min Yu
NT\$3,500,000 (incl.)~NT\$5,000,000 (excl.)	Ting Hao	Ting Hao
NT\$5,000,000 (incl.)~NT\$10,000,000 (excl.)		
NT\$10,000,000 (incl.)~NT\$15,000,000 (excl.)		
NT\$15,000,000 (incl.)~NT\$30,000,000 (excl.)		
NT\$30,000,000 (incl.)~NT\$50,000,000 (excl.)		
NT\$50,000,000 (incl.)~NT\$100,000,000 (excl.)		
NT\$100,000,000 or more		
Total	4	4
<p>Note 1: The name of each general manager and assistant general manager shall be stated separately, based on the amount of the aggregated remuneration items paid to each. If a director concurrently serves as a general manager or an assistant general manager, please complete this table and the aforementioned table.</p> <p>Note 2: This includes salary, duty allowances, and severance pay to the general manager(s) and assistant general manager(s) in the most recent fiscal year.</p> <p>Note 3: This includes the amounts of all types of rewards, incentives, travel expenses, special disbursements, stipends of any kind, provision of facilities such as accommodations or vehicle, and other compensation to the general manager(s) and assistant general managers(s) in the most recent fiscal year. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2—including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc.—should be included in the calculation of remuneration.</p> <p>Note 4: This refers to employee profit-sharing compensation (including stocks and cash) received by the general manager(s) and assistant general manager(s) as approved or expected to be approved by the board of directors for the 24 Feb. 2022 (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee). If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Attached should also be completed</p> <p>Note 5: Disclose the total amount of remuneration in each category paid to the general manager(s) and assistant general manager(s) by all companies in the consolidated financial report (including the Company).</p> <p>Note 6: Disclose the names of the general manager(s) and assistant general manager(s) in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and assistant general manager by the Company.</p> <p>Note 7: Disclose the names of the general manager(s) and assistant general manager(s) in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and assistant general manager of the Company by all companies in the consolidated financial report (including the Company).</p> <p>Note 8: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.</p>		

Note 9:

- a). In this column, specifically disclose the amount of remuneration received by the general manager(s) and assistant general manager(s) of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state "None").
- b). If general manager(s) or assistant general manager(s) of the Company have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column E of the Remuneration Range Table, and the name of that column shall be changed to "Parent company and all investee enterprises."
- c). Remuneration means remuneration received by the general manager(s) and assistant general manager(s) of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

*This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers

Unit: NT\$ thousands/ thousands shares

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Managerial officers	President	Ting Hao	0	796	796	1.14
	CFO	Chun-Chun Yang				
	CTO	Cheng-Fang Chiu				
	Senior Vice President	Wen-Hsien Chen				
	Vice President	Hsin-Min Yu				

Comparison of Remuneration for Directors, Supervisors, President and Vice President in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents.

The ratio of total remuneration paid by the Company and from all consolidated entities for the two most recent fiscal years to directors, supervisors, president and vice president of the company, to the net income.

Year	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	The company	From All Consolidated Entities
2021	23.04%	23.04%
2020	30.66%	30.68%

3.4 Implementation of Corporate Governance

3.4.1 Operation of the Board

(1). A total of six (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 (Note 1& 2)	Remarks
Chairman	Ting Hao	6	0	100%	
Director	Goodyears Investments Ltd. (Representative person : Wen-Chen Lin)	6	0	100%	
Director	Tzay Hua Ltd. (Representative person : Cheng-Feng Chiu)	6	0	100%	
Director	Yun-Ping Lin	6	0	100%	
Independent director	Chang-Yue Ueng	6	0	100%	
Independent director	Jen-Jyh Hwang	6	0	100%	
Independent director	Niang-Shou Wei	6	0	100%	

Other mentionable items:

- If any of the following circumstances occur, the date of the meeting, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
 - Matters referred to in Article 14-3 of the Securities and Exchange Act: None of the independent director expresses an objection or reservation
 - Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None
- The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted.: None
- The listed company should disclose the general evaluation cycles, evaluation periods, scope, content, and method of Self-Evaluation or Peer Evaluation of the Board of Directors. And disclose the evaluation status by filling the evaluation form: The Implementation Status of Board Evaluation is as Table 3.4.1.(2)
- Give an evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g., establishing an audit committee, increasing information transparency, etc.) and the measures taken toward achievement thereof.
 - The company has adopted the "Rules of procedure for meetings of its board of directors" according to "Regulations Governing Procedure for Board of Directors Meetings of Public Companies". Update the director's attendance at the board of directors in MOPS, and disclose the major resolutions of the board of directors on the company's website.
 - The company has elected three independent directors at the shareholders' meeting, and these three independent directors form the audit committee, which meets at least once a quarter, and is responsible for the implementation of the fair representation of the company's financial statements, the selection (dismissal) and the independence and performance of certified accountants, the effective implementation of the company's internal control, the company's compliance with relevant laws and regulations, and the management and control of the company's existing or potential risks.
 - The company consists of 3 independent directors to form a remuneration committee, which is responsible for implementing regular evaluations and formulating the company's overall compensation policies, formulating and regularly (at least twice a year) reviewing the performance evaluation and compensation policies and systems, standards and structure of directors and managers. Regularly evaluate and determine the remuneration

of directors and managers, employee stock option plans and employee profit-sharing plans or other employee incentive plans.

- (4) Improve the functions of the board of directors of the company and strengthen the management mechanism The nomination committee is consist of 2 independent directors and 1 director.
- (5) The company has established a performance evaluation system for the board of directors, and regularly establishes self-evaluation and peer-evaluation questionnaires for evaluation and review every year, so as to give full play to the self-improvement of board members and enhance the function of the board of directors for sound operation.
- (6) The company has purchased liability insurance for all directors, and has reported them in accordance with regulations.
- (7) The company has taken out the director's liability insurance and reported it as required. The company has assigned an external organization-Taiwan corporate governance association to evaluate the efficiency of the board of directors from 2020.03.01 to 2021.02.28. The company has reported the evaluation result and took appropriate improvement measures for the proposed matters on 2021.08.10.

Note1 : If any director or supervisor left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of board meetings held and the number they attended in person during the period they were in office.

Note2 : If any by-election for directors or supervisors was held before the end of the fiscal year, the names of the new and old directors and supervisors should be filled in the table, with a note stating whether the director or supervisor left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in person attendance rate (%) should be calculated based on the number of board meetings held and the number attended in person during the period of each such person's actual time in office.

(2). Implementation Status of Board Evaluations

Evaluation Cycles	Evaluation Periods	Scope of evaluation	Evaluation Methodology	Evaluation Content
Once a year.	2021.01.01~ 2021.12.31	The scope of performance evaluations includes the Board of Directors, individual directors, and functional committees.	Include self-evaluation by individual board members and the inter evaluation of the board.	The criteria for evaluating the performance of the board members on themselves covered the following six aspects: 1. Familiarity with the goals and missions of the company; 2. Awareness of the duties of a director; 3. Participation in the operation of the company 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; and 6. Internal control.

Note 1: Fill in the cycle on which the board evaluations are performed, for example: performed once per year.

Note 2: Fill in the period covered by the board evaluation, for example: An evaluation was performed of the performance of the board of directors from 1 January 2021 to 31 December 2021.

Note 3: The scope of the evaluation should cover the performance of the board as a whole, the individual directors, and the functional committees.

Note 4: The performance evaluation methods may include internal evaluation by the board, self-evaluations by individual board members, peer evaluations by board members, evaluations external organizations or experts engaged for that purpose, or other suitable method.

Note 5: The evaluation content shall include at least the following based on the scope of the evaluation:

- (1) Evaluation of the performance of the board should include at least the following: degree of the board's participation in the operation of the company; the quality of the board's decision making; composition and structure of the board; election and continuing education of the directors; internal control.
- (2) Evaluation of the performance of individual directors should include at least the following: familiarity with the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationships and communication; the director's professionalism and continuing education; internal control.
- (3) Evaluation of the performance of the functional committees: degree of participation in the operation of the company; awareness of the duties of the functional committee; quality of decisions made by the functional committee; makeup of the functional committee and election of its members; internal control.

3.4.2 Operation of Audit Committee

(1). A total of four (A) Audit Committee meetings were held in the previous period (from February 2021 till November 2021). The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent Director (Convener)	Chang-Yue Ueng	4	0	100%	
Independent director	Jen-Jyh Hwang	4	0	100%	
Independent director	Niang-Shou Wei	4	0	100%	

Other mentionable items:

- If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:
 - Any matter under Article 14-5 of the Securities and Exchange Act.
 - In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of director
- Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: None
- Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the company's finances and business and the method(s) and outcomes of the communication.)

Audit Committee Meeting Summary

Date	Meeting Resolutions
11/09/2021	1. Approved the third quarter 2021 consolidated financial statement 2. Approved the 2022 internal audit plan 3. Approved the policy of the company's internal auditor's appointment, assessment, and remuneration
08/10/2021	1. Approved the second quarter 2021 consolidated financial statement
04/26/2021	1. Approved the 2020 earnings distribution proposal 2. Approved the proposal for cash distribution of 2020 additional paid capital 3. Approved the first quarter 2021 consolidated financial statement
02/26/2021	1. Approved the 2021 CPA assessments of competence and independence for Se-Kai Lin and Chia-Hung Lin from PWC 2. Approved the 2021 CPA selection and appointment for Se-Kai Lin and Chia-Hung Lin from PWC 3. Approved the 2020 business report and financial statements 4. Approved the 2020 earnings distribution proposal 5. Approved the proposal for cash distribution of 2020 additional paid in capital 6. Approved the 2020 management's reports on internal control

Independent Director and CPAs Meeting Summary

Communications between the Independent Directors and CPAs :

- (1) CPAs regularly discusses in writing with the independent directors of the Audit Committee each quarter, If necessary, a meeting will be held with independent directors to explain and discuss.
- (2) The Audit Committee take financial statement confirmed by CPAs as reference to completed the audit report.

Date	Meeting Resolutions
11/09/2021	1. CPAs discussed in writing about the third quarter 2021 consolidated financial report and audit report
08/10/2021	1. CPAs discussed in writing about the second quarter 2021 consolidated financial report and audit report
04/26/2021	1. CPAs discussed in writing about the first quarter 2021 consolidated financial report and audit report
02/26/2021	1. CPAs discussed in writing about the fourth quarter 2020 individual and consolidated financial report, adjustment entry and audit report.

Independent Directors and the Internal Audit Officer Meeting Summary

Communications between the Independent Directors and the Internal Audit Officer:

- (1) Independent Directors have asked the Internal Audit Officer to submit audit reports and follow-up report quarterly in Board and Audit Committee meeting.
- (2) Independent Directors have asked the Internal Audit Officer to report on the implementation status of the annual audit plan and improvement situation, if necessary, call a meeting for major fraud.

Date	Meeting Resolutions
11/09/2021	<ol style="list-style-type: none"> 1. Internal Audit Officer presented the 2022 internal audit plan 2. Presented the third quarter 2021 audit report 3. Internal Audit Officer responded to questions from Independent Directors
08/10/2021	<ol style="list-style-type: none"> 1. Presented the second quarter 2021 audit report 2. Internal Audit Officer responded to questions from Independent Directors
04/26/2021 (Project Meeting)	<ol style="list-style-type: none"> 1. Discuss and revise the policy of access card distribution and management.
04/26/2021	<ol style="list-style-type: none"> 1. Presented the first quarter 2021 audit report 2. Internal Audit Officer responded to questions from Independent Directors
02/26/2021	<ol style="list-style-type: none"> 1. Presented the fourth quarter 2020 audit report 2. Internal Audit Officer presented 2020 internal management control system declarations to Independent Directors 3. Internal Audit Officer responded to questions from Independent Directors

3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. The information has been disclosed on the and MOPS (Market Observation Post System).	No difference
2. Shareholding Structure and Shareholders’ Rights				
(1) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		The company has established the Rules of Procedure for Shareholders Meetings, set up the spokesman and deputy spokesperson and has assigned the specific person to deal with issues related to investor relations and shareholder opinion, doubts, disputes or lawsuits. The company’s website also provides the contact information and E-mail for investors.	No difference
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	V		In addition, the stock agency is entrusted to regularly update the register of shareholders and the register of major shareholders to fully grasp the list of major shareholders.	No difference
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		Various financial and business matters with affiliated companies are based on the principle of mutual independence, and formulate "Supervision and Operation Measures for Subsidiaries", "Group Enterprises, Specific Companies and Related Persons Transaction Operation Measures", "Internal Control System", "Internal Audit" System”, etc., to establish risk control and firewall mechanisms with affiliated companies.	No difference
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	V		The company has established the Procedures for Ethical Management and Code of Ethics and Business Conduct to that company insiders are prohibited from using unpublished information on the market to buy and sell securities.	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
3. Composition and Responsibilities of the Board of Directors				
(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		(1) The Company Board of Directors consists of 7 members, including 3 independent directors and one female director. Davicom's Board is comprised of a diverse group of professionals from different backgrounds in industries, academia, law, etc. The Board objectively chooses candidates to meet the goal of member diversification.	No difference
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?	V		(2) With a Remuneration Committee and an Audit Committee to assist the Board of Directors in executing its duties, DAVICOM also established Nomination Committee which can efficiently assist Board of Directors.	No difference
(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	V		(3) The Company has set up and reviews the performance evaluation and remuneration policy, standard, system and framework for board of directors on 2016.08.10. The evaluation results are divided into three levels: excellent, acceptable, and to be strengthened. The overall board evaluation results in 2021 were excellent. The company has assigned an external organization-Taiwan corporate governance association to evaluate the efficiency of the board of directors from 2020.03.01 to 2021.02.28. The company has reported the evaluation result on board meeting and took appropriate improvement measures for the proposed matters on 2021.08.10.	No difference
(4) Does the Company regularly evaluate its external auditors' independence?	V		(4) The Audit Committee and the Board of Directors evaluate the independence, competence and professionalism of CPA at least once a year. Since June, 2015, CPA has been required to provide a “transitional independence statement” every year. The company has confirmed the company's visa and tax expenses. In addition to the expenses, there are no other financial interests and business relationships; the CPA's family members do not violate the requirements of independence and report to the Board of Directors.	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			The Board of Directors of the Company also examined the CPA's personal resume (representing the past and current clients of the accountant) and the independence statement of each CPA (not in violation of the Professional Ethics Bulletin No. 10) for discussion by the Board of Directors when discussing the independence and appointment of the CPA. The Board of Directors has approved 2022 independence assessment of CPA.	
4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	V		<p>On May 13, 2019, the 21st meeting of the eighth session of the board of directors of the company passed a resolution to appoint James Yang, the chief financial officer of the company, as the director of corporate governance to protect the rights and interests of shareholders and strengthen the functions of the board of directors.</p> <p>The main responsibilities of corporate governance personnel are to provide the information required by directors (independent directors) to carry out business and the latest regulatory developments related to operating the company, so as to assist directors (independent directors) to comply with laws and regulations, and to handle matters related to the board of directors and shareholders' meetings in accordance with the law. The primary duties and operations are as follows:</p> <p>(1) Assist directors and independent directors and provide required information and arrange continuing education courses.</p> <p>(2) Handle matters related to the Board of Directors Meeting and the Shareholders' Meeting pursuant to relevant laws and regulations, and assist the company in adhering to relevant laws and decrees determined at the Board of Directors Meeting and The Shareholders' Meeting.</p> <p>(3) Notify directors 7 days in advance and provide the draft agenda of the board of directors and each functional committee to directors and provide relevant information. Complete the minutes of the meeting</p>	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>on the day of the meeting and provide it to the directors</p> <p>(4) Prepare meeting minutes for the Board of Directors Meeting and the Shareholders' Meeting.</p> <p>(5) Affairs related to investor relations.</p>	
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		<p>The Company has established a communication channel, and been dedicated to handling relevant matters. The company website also created an interested party column to maintain communication channels with interested parties at any time through information delivered by telephone, fax, e-mail, etc.</p> <p>As for important corporate social responsibility issues that concern interested parties, the Company will handle matters and give appropriate feedback.</p>	No difference
6. Has the Company appointed a professional registrar for its Shareholders Meetings?	V		The Company designates Fubon Securities Co., Ltd. to deal with shareholder affairs.	No difference
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		(1) The Company has set up a Chinese/English website (http://www.davicom.com.tw) to disclose information regarding the Company's financials, business and corporate governance information. The information mentioned above can also be found at MOPS.	No difference
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		(2) The Company has assigned an appropriate person to handle information collection and disclosure. The Company also has established a spokesman system. Investor related information is disclosed on the corporate website and MOPS.	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		(3) The Company follows relevant laws and regulations to announce and report the annual financial statements within two months after the end of the fiscal year, and announce the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline	No difference
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		<p>(1) Employee Rights and Employee Care: The company value the growth of employee’s career. The company established the Governing Organization of Employees’ Welfare Committee and provide various of welfare.</p> <p>(2) Investor Relation: The company provide a communication channel to investors such as shareholders’ meeting and set the spokesman system to deal with shareholders' opinion.</p> <p>(3) The company maintains smooth communication channels with its correspondent banks, employees, consumers and suppliers, and maintains a good relationship.</p> <p>(4) Stakeholders' rights: The company has spokespersons and proxy spokespersons to communicate directly with stakeholders to respect and safeguard their legitimate rights and interests.</p> <p>(5) Situation of further education for directors: The directors of the company all have industry professional background and practical experience in operation and management.</p> <p>(6) Implementation of risk management policies and risk measurement standards: formulate various internal rules and regulations in accordance with the law, and conduct various risk management and assessment.</p> <p>(7) Implementation of customer policy: The company maintains smooth communication channels with customers and maintains a good relationship.</p> <p>(8) Situation where the company purchases liability insurance for</p>	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			directors and managers: The company has purchased liability insurance for directors and managers to strengthen the protection of shareholders' rights and interests.	
9. Describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement.	V		<p>The improvement item of Corporate Governance Evaluation of Listed Companies:</p> <p>(1) If the company hold a general meeting of shareholders before the end of May?</p> <p>(2) Does the company voluntarily set up more independent directors than required by law?</p> <p>(3) Does the company formulate a succession plan for board members and key management levels, and disclose their operations on the company's website or annual report?</p> <p>(4) Does the company establish an information security risk management framework, formulate information security policies and specific management plans, and disclose them on the company's website or annual report?</p> <p>(5) Is there at least one of the company's internal auditors with certificates such as international internal auditors, international computer auditors or certified public accountants?</p> <p>(6) Does the company voluntarily publish the fourth quarter financial forecast report, and the relevant operations have not been corrected by the competent authority, and the stock exchange or the counter-buying center has not recorded any failures?</p> <p>(7) Has the company been invited (by itself) to hold at least two institutional investors' conference and the interval between the first and last two conference of institutional investors in the evaluation year is more than three months?</p> <p>(8) Does the company refer to international human rights conventions to formulate human rights protection policies and specific management plans, and disclose them on the company's website or annual report?</p> <p>(9) Does the company signed the Collective Agreement with Labor Union according to the Collective Agreement Act.</p>	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			(10) Does the company obtain the ISO 14001, ISO 50001, or the relative certification of environment or energy management? The company continuously improved the above items.	

2022 Assessments Table of competence and independence of CPA

The assessment item refers to the SAS No. 62 Communication with those Charged with Governance and No. 10 of The Norm of Professional Ethics for Certified Public Accountant of the Republic of China.

No	Evaluation Item	Yes	No
1	Does the certified public accountant and the accounting audit team have any shareholding relationship with the company?		✓
2	Does the certified public accountant and professional service personnel appoint as directors (independent directors) or supervisors of the company?		✓
3	Is there a business relationship between the certified public accountant and the company?		✓
4	Is there any litigation relationship between the certified public accountant and the company?		✓
5	Are there any other matters between the certified public accountant and the Company that, in the judgment of the accountant, may violate independence?		✓
6	Does the certified public accountant issue quarterly (annual) review (audit) reports and financial statements on time?	✓	

Continuing Education/Training of Directors and Independent Directors in 2021

Title	Name	Date	Host by	Training/ Speech Title	Duration
Chairman	Ting Hao	2021/12/07	Taiwan Stock Exchange(TWSE)	2021 CATHAY Sustainable Finance and Climate Change Summit	6.0
		2021/11/26	Taiwan Corporate Governance Association	2030/2050 Net Zero Emissions - Sustainable Challenges and Opportunities for Global Businesses	3.0
		2021/03/23	Taiwan Insurance Institute	New Trends in Green Energy Investment-Taiwan Renewable Energy Market and Trends-Renewable Energy Industry Sharing	3.0
Director	Goodyears Investments Ltd. (Representative person : Wen-Chen Lin)	2021/10/13	Securities & Futures Institute	2021 Annual Insider Equity Trading Legal Compliance Seminar	3.0
		2021/09/01	Financial Supervisory Commission R.O.C(Taiwan)	The 13th Taipei Corporate Governance Forum	3.0
Director	Tzay Hua Ltd. (Representative person : Cheng-Feng Chiu)	2021/10/13	Securities & Futures Institute	2021 Annual Insider Equity Trading Legal Compliance Seminar	3.0
		2021/09/01	Financial Supervisory Commission R.O.C(Taiwan)	The 13th Taipei Corporate Governance Forum	3.0
Director	Yun-Ping Lin	2021/10/15	Securities & Futures Institute	2021 Annual Insider Equity Trading Legal Compliance Seminar	3.0
		2021/09/01	Financial Supervisory Commission R.O.C(Taiwan)	The 13th Taipei Corporate Governance Forum	3.0
Independent Director	Chang-Yue Ueng	2021/10/13	Securities & Futures Institute	2021 Annual Insider Equity Trading Legal Compliance Seminar	3.0
		2021/09/01	Financial Supervisory Commission R.O.C(Taiwan)	The 13th Taipei Corporate Governance Forum	3.0
Independent Director	Jen-Jyh Hwang	2021/11/09	Securities & Futures Institute	How the Audit Committee Supervises the Effectiveness of Internal Control	3.0
		2021/09/01	Financial Supervisory Commission R.O.C(Taiwan)	The 13th Taipei Corporate Governance Forum	3.0
Independent Director	Niang-Shou Wei	2021/10/20	Securities & Futures Institute	2021 Annual Insider Equity Trading Legal Compliance Seminar	3.0
		2021/09/01	Financial Supervisory Commission R.O.C(Taiwan)	The 13th Taipei Corporate Governance Forum	3.0

3.4.4 Composition, Responsibilities and Operations of the Remuneration

Committee

The Remuneration Committee aims at establishing and regularly reviewing the performance evaluation procedure for directors, supervisors and managers. In addition, it establishes compensation policy, system, standard and structure and regularly reviews the compensation of directors, supervisors and managers.

(1). Professional Qualifications and Independence Analysis of Remuneration

Committee Members

Capacity (Note 1)	Qualifications Name	Professional qualifications and experience (Note 2)	Independence analysis (Note 3)	Number of other public companies at which the person concurrently serves as remuneration committee member
Independent Director (Convener)	Jen-Jyh Hwang	Please refer to page 14 of the annual report for information disclosure on the professional qualifications and the independence of independent directors		0
Independent director	Chang-Yue Ueng			1
Independent director	Niang-Shou Wei			0

(2). Attendance of Members at Remuneration Committee Meetings

a). Number of Board members : 3

b). Term of Office: 06/12/2019 – 06/11/2022. A total of three (A) Remuneration Committee meetings were held in the previous period.

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convenor	Jen-Jyh Hwang	3	0	100%	
Board Member	Chang-Yue Ueng	3	0	100%	
Board Member	Niang-Shou Wei	3	0	100%	

Other mentionable items:

1. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons).
2. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion.: The Company has good communication with the Remuneration Committee.

Remuneration Committee Meeting Summary

Date	Meeting Resolutions
08/10/2021	1. Approved the proposal of 2020 managers' compensation distribution
04/26/2021	1. To Report the four directors Spenser Tsai, YC Chuang, Michael Chen, Robert Cheng be included as insiders from April 26, 2021. 2. Approved the 2021 internal managers' Dragon Boat Festival year-end bonus distribution
02/26/2021	1. To report the compensation proposal of 2 newly vice president promoted in 2021 2. Approved the 2020 managers' year-end bonus 3. Approved the 2020 Board of Director compensation and employee compensation distribution

3.4.4.1 Key objectives of establishing a Nomination Committee:

1. The required qualifications and the responsibilities of the Company's nomination committee members: According to administrative rules, the Committee should consist of at least 3 members from the Board of Directors with more than half of independent directors participating. The main purpose of the establishment of the nomination committee is to assist the board of directors in the searching, review and nomination of director candidates, and to construct and develop the organizational structure of the board of directors to ensure the proper composition of the board of directors.

According to the organization rules of the Nomination Committee, its duties include:

- (1). To formulate the standards that board members and senior manager required include professional knowledge, skills, experience, gender and other diversity background and independence to identify, review and nominate directors (independent directors) and senior managers candidates accordingly.
 - (2). To construct and develop the organizational structure of the board of directors and various committees, conduct performance evaluations of the board of directors, functional committees, directors and senior managers, and evaluate the independence of independent directors.
 - (3). Formulate and regularly review the training plan for directors and the succession plan for directors and senior managers.
 - (4). To formulate the Corporate Governance Best Practice Principles.
2. The professional qualifications and experience of the members and status of operations of the nomination committee:
 - (1). The Company's nomination committee has a total of 3 members.
 - (2). The term of the current members is from 2019/06/12 to 2022/06/11. The number of nomination committee meetings held in the most recent fiscal year was: 2 (A). The professional qualifications and experience and meeting attendance record of the members and matters discussed by the committee are as follows:

Title	Name	Professional qualifications and experience	No. of Meetings attended in person (B)	No. of meetings attended by proxy	In-person Attendance rate (%) (B / A) (Notes)	Remarks
Independent Director (Convener)	Niang-Shou Wei	Business management, Human resource management	2	0	100%	
Independent Director	Jen-Jyh Hwang	Law, Manufacturing Management	2	0	100%	
Chairman	Ting Hao	Business Management, Corporate Management and Governance, Finance	2	0	100%	

Other information required to be disclosed:

For any major motion put before the nomination committee, specify the meeting date, meeting session number, content of the motion, content of recommendations or dissenting opinions of the nomination committee members, the outcome of the resolution of the nomination committee, and the measures taken by the Company with respect to the nomination committee members' opinions.

Nomination Committee Meeting Summary

Date	Meeting Resolutions	Resolutions that have not been approved by the nomination committee and have been approved by more than two-thirds of all directors
11/09/2021	Approved the revision of the Company's Measures for the Performance Evaluation of the Board of Directors	None
02/26/2021	Approved the 2020 Board of Directors final evaluation with an "excellent " and submitted the result to the board for confirmation.	None

3.4.5 Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		<p>The company established a CSR team in 2015 to implement corporate social responsibility, and voluntarily compiled a "corporate social responsibility report", set up a "corporate social responsibility zone" on the company's website, and disclosed the report on the website. In 2016, the management mechanism was introduced and the CSR team was elevated to the committee level, which shows the importance and forward-looking deployment of the company in fulfilling corporate social responsibility and implementing honest management.</p> <p>At present, the CSR Committee is composed of 1 independent director (as the convener) and 2 directors. The chairman serves as the ESG CEO and an executive secretary is set up to assist in the promotion of corporate social responsibility. At the end of 2020, the CSR Committee passed the meeting to change its name to "Sustainable Development Committee", and the new name will be used from January 1, 2021, and the organization's members and responsibility will remain the same.</p> <p>The Sustainable Development Committee regularly reports the current year's work plan and implementation results to the Board of Directors every year; the work plan will be reported to the Board of Directors on November 9, 2021 and the implementation results on January 26, 2022.</p>	No difference
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality	V		<p>In November 2016, the company formulated the "Risk Management Operational Measures" and set up the Risk Management Committee, which was approved by the Board of Directors as the highest guiding principle of the company's risk management, so as to integrate the operating departments related to risk management and identify risk factors. Prevention of high-risk factor events. Based on this, we formulate improvement items, create opportunities, and shape a risk management and control model with adaptive</p>	No difference

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
principle, and formulate relevant risk management policies or strategies?			capabilities. The company is committed to integrating and managing all potential risks such as strategies, operations, financial and hazards that may affect operations and profits in a proactive and cost-effective manner. Through the establishment of an enterprise risk management project, the purpose is to provide appropriate risk management for all stakeholders, to assess the frequency of risk events and the severity of the impact on the company's operations. Adopt corresponding risk management strategies. The company's risk management mainly includes "strategic risk", "operational risk", "financial risk", information "security risk" and "climate change".	
3. Environmental Issues				
(1) Has the Company set an environmental management system designed to industry characteristics?	V		With the orientation of the international market and the sustainable goal of innovative research and development: the company is committed to the development of energy-saving products. The product direction is committed to: functional improvement, light weight, energy saving and carbon reduction, artificial intelligence, etc. for continuous innovation and improvement.	No difference
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		The company has established appropriate environmental management according to the characteristics of its industry and is committed to reducing the impact on natural resources and reducing environmental pollution. Quantitative statistical disclosure of environmental information, long-term information records and disclosures include purchased electricity, renewable energy, water resources and the use of various raw materials. Year by year, we review whether our planet-friendly measures have gradually achieved our stated goals.	No difference
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		In addition, we are also actively responding to climate change and adopting action plans to reduce natural resource consumption, including improving product energy efficiency, green supply chain management, raw material and waste management, product packaging reduction and recycling to improve energy use in combination with our own industries. efficiency. In assessing issues related to climate change, the Company has not only included it in the scope of risk management of the Company, but has also taken relevant specific measures. Please refer to the chapter 4. Green Operations in the Company's 2021 Sustainability Report.	No difference
(4) Did the company collect data for the past two years on greenhouse gas emissions,	V			No difference

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?			For details on the implementation of energy conservation and carbon reduction and greenhouse gas reduction, as well as the greenhouse gas emissions, water consumption and total weight of waste in the past four to five years, and management policies, please refer to 4.2.1 Carbon Emission Management, 4.2.2 Waste recycling, 4.2.3 Energy (resource) use, in the 2021 Sustainability Report.	
4. Social Issues (1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		(1) The company value labor rights and interests, abides by the labor laws and regulations, and refers to international human rights conventions, through company management norms and work rules publicity, and abides by the Act of Gender Equality in Employment, and formulates the "Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" and provide channels for appeals , and grant maternity (pregnancy checkups) leave, paternity leaves, and parental leave in accordance with laws and regulations. The company complies with relevant labor laws and regulations and refers to the "Universal Declaration of Human Rights" stipulated by the United Nations, and formulates relevant management procedures. The relevant issues in practice include: 1). There are no operating point or suppliers that violate or seriously endanger freedom of association and collective bargaining. 2). There are no operating point and suppliers have the risk of child worker employment. 3). There are no operational point and suppliers with serious risk of forced or compulsory labor incidents. 4). There has been no incident involving violation of the rights of indigenous peoples. 5). There is no human rights complaint. 6). No incident of discrimination. 7). There are no violations of regulations related to social categories, nor any amount of fines. 8). There is no significant actual or potential negative impact on human rights in the supply chain.	No difference
(2) Has the Company established and implemented	V		(2) We adhere to the concept of profit sharing with employees, attracting, retaining, nurturing and motivating outstanding talents. For details of employee compensation and welfare measures, please refer to the company's 2021 Sustainability Report.	No difference

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
<p>reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?</p> <p>(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?</p> <p>(4) Has the Company established effective career development training programs for employees?</p> <p>(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?</p>	V		<p>(3) The company's office environment takes protecting the safety of employees as the first consideration to ensure that employees can get the greatest protection at work. (For details, please refer to the Company's 2021 Sustainability Report)</p> <p>(4) The company attaches great importance to the career development of employees, and has established an effective career ability development training program for employees. For details, please refer to the company's 2021 Sustainability Report.</p> <p>(5) The company's marketing and labeling of products and services comply with relevant laws and international standards. At the same time, the company formulates service management procedures, customer return/complaint management measures, and confidential information protection.</p> <p>For details, please refer to the Company's 2021 Sustainability Report.</p>	<p>No difference</p> <p>No difference</p> <p>No difference</p>

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		(6) The company promotes green environmental protection policies and concepts to the entire supply chain. All new product manufacturing suppliers must meet the company's relevant requirements before they can be listed as qualified suppliers. At the same time the company also requires suppliers to use recycled materials and reduce the use of consumables, both at the factory and in transit. As for the human rights issues, the company also requires suppliers to comply with the same human rights policy. The company follows relevant norms on issues such as occupational safety and health or labor rights. The implementation, please refer to the Company's 2021 Sustainability Report.	No difference
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	V		The Company in accordance with the GRI Guidelines: Core Options published by the Global Reporting Initiative (GRI). The direction of information disclosure reported in the company's corporate social responsibility report also respond to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and the United Nations Global Compact, SDGs, ISO26000 Social Responsibility, and EICC Guidelines. The company's sustainability report has not been certified by a third-party verification agency.	No difference
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: The Board of Directors of the Company passed the " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" in November 2014 as the guiding principle for long-term CSR promotion. The actual operation is no different from the established code. Detailed operation Please refer to the Company's 2021 Sustainability Report for details.				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development : ESG implementation in 2021 (1) Corporate Governance :				

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
<p>(1-1). Complete the external evaluation report on the performance of the board of directors. (Assessment unit: Taiwan Corporate Governance Association; assessment period: March 1, 2020 to February 28, 2021)</p> <p>(1-2). Complete the illustration of the climate-related Task Force on Climate-related Financial Disclosures (TCFD) and the climate-related risks and opportunities.</p> <p>(1-3). Completed the revision of the company's risk management operating procedures. (Including response to climate change, measures to prevent infectious diseases, network security)</p> <p>(2). Environment :</p> <p>(2-1). Usage of water resources</p> <p>(i) During the drought, cooperate with the water restriction policy of Hsinchu and Miaoli.</p> <p>(ii) Except for water saving, employees are encouraged to wash their hands more frequently for epidemic prevention and to balance the necessary water for epidemic prevention.</p> <p>(2-2). Usage of Energy</p> <p>The company uses the electricity provided by Taiwan Power Company. During the epidemic prevention period, energy use may conflict with the health of employees.</p> <p>For example, due to the lighting needs of employees when working in different layers, the electricity consumption will increase. However, employee health is the first thing of the company. We choose products with high energy efficiency and strive to minimize the impact of the epidemic on energy.</p> <p>(2-3). Emission of greenhouse gases</p> <p>In 2020, indirect emissions accounted for 97% of the company's greenhouse gas emissions. The same ratio also be maintained in 2021. The Scope 3 greenhouse gas emissions have a positive correlation with the global epidemic.</p> <p>(3).Corporate Citizenship :</p> <p>(3-1). Happy Workplace</p> <p>(i) According to the five frameworks of the Epidemic Command Center, "epidemic situation, risk assessment, response measures, response organization, and emergency contact network, and continuous operation plan drill", the company took stock of the core tasks and impact areas, and carried out respectively evaluate from personnel, business, production, and operation. According to the evaluation results, the company would provide response measures base followings: protect employees to reduce the risk of infection, respond to changes in the way employees work, and travel, and cooperate with the policies of the public health center of Hsinchu Science Park to ensure the health of employees. For example, employees use takeout, and the company distributes health check fees for employees to avoid cluster infections when doing the health check. The quarterly employee birthday</p>				

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>celebrations will continue to be held, and the birthday celebration will be replaced with a snack box for employees to enjoy at home.</p> <p>(ii) Comprehensively strengthen health management of employees and workplaces, implement employee health monitoring plans, and report and track abnormalities. For example: setting up monitoring facilities at the entrance, disinfecting alcohol, etc. The company regularly conducts risk test management and uses antigen rapid tests to achieve real-time detection of safe working conditions.</p> <p>(iii) The employees are reallocated to different floors to avoid indoor gatherings, and employees are effectively diverted when they go out. For example: limit the number of elevator passengers, employees in the R&D department and management department take different elevators, etc., and provide an environment for employees to work remotely.</p> <p>(3-2). Social Engagement</p> <p>(i) AI-1 Talent Cultivation: Continue the industry-university cooperation plan with the AI College of NYCU in 2020.</p> <p>(ii) AI-2 Talent Cultivation: A summer vacation originally scheduled to be held at the IBM Research Center of NYCU during the summer vacation, but the plan could not be implemented due to the level 3 alert of the epidemic.</p> <p>(iii) Davicom love passing plan</p> <p>Due to the impact of the COVID-19 epidemic, the campus was closed (level 3 alert), and the morning teaching plan was not implemented as planned. On November 20, 2021,Guanshan Elementary School held a school and community joint sports day. The company assigned the executive secretary of the ESG Committee to attend the ceremony.</p>	

3.4.6 Ethical Corporate Management and Differences and Causes of CSR Practices

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				
(1). Has the company formulated the integrity management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, and the board and senior management's commitment to actively implement the management policy?	V		(1) The company has formulated the "Integrity Management Principle". The members of the company's board of directors and management all attach importance to ethical and honest business practices, adhere to the business philosophy of integrity, transparency and responsibility, and implement the integrity policy to create a sustainable business environment.	No difference
(2). Whether the company has established an evaluation mechanism for the risk of dishonesty, and regularly analyze and evaluate business activities with high risks of dishonesty in the business scope, and establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		(2) The company has formulated the "Integrity Management Principle", and the management will publicize how to prevent dishonest behaviors in company meetings or education training from time to time, hoping to establish the unanimous belief of all employees and abide by relevant laws and regulations to implement integrity management.	No difference
(3). Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?	V		(3) The company's "Integrity Management Code" has specifically stipulated that the company's personnel shall not directly or indirectly provide, promise, request or accept any illegitimate benefits, or conduct other acts that violate integrity, law or fiduciary duties in the process of engaging in business activities. .	No difference
2. Fulfill operations integrity policy				
(1). Does the company evaluate business partners' ethical records and include ethics-related clauses in business	V		(1) The company establishes business relationships with others, and first evaluates the legality, integrity management policies of agents, suppliers, customers	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
contracts?			or other business partners, and whether there has been a record of dishonest behavior to ensure that its business operations are fair, transparent and will not ask, offer or accept bribes.	
(2). Does the company set up a special unit under the board of directors to promote corporate integrity management, and regularly (at least once a year) report to the board on its integrity management policies and plans to prevent dishonesty and supervision and implementation?	V		(2) The company has set up personnel administration management office for promoting corporate integrity management. And report to the board of directors on the implementation of integrity management in 2021 on November 9, 2021.	No difference
(3). Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) When conflicts of interest occur, the employee may report directly to the head of the department or to the chairman of the board of directors.	No difference
(4). Whether the company has established an effective accounting system and internal control system for the implementation of integrity management, and the internal audit unit formulates the relevant audit plan based on the assessment results of the risk of dishonesty, and checks the compliance with the plan to prevent dishonesty, Or entrust an accountant to perform the audit?	V		(4) The company has established an effective accounting system and internal control system, which are regularly reviewed and revised in accordance with changes in laws and practical needs, and are regularly reviewed by internal auditors to ensure that the design and implementation of the system continue to be effective and achieve corporate governance and risk management.	No difference
(5). Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5) The company has formulated the "Integrity Management Principle and Behavior Guide", and the management will publicize how to prevent dishonest behavior in company meetings or education training from time to time, hoping to establish the unanimous belief of all employees, and abide by relevant laws and regulations to implement integrity operate. This year, on November 9, 2021, the company's managers and employees were educated and publicized on the	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Ethical Corporate Management Best Practice Principles for Companies. The course content included the provisions of the integrity management code, and the unit, reporting channels and method as well as the company's handling procedures of acceptance of cases of reporting illegal and immoral or dishonest behavior. The instructions and the course briefing are placed in the internal staff system for reference to those who did not attend on the day.	
3. Operation of the integrity channel				
(1). Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(1) If the employees of the company find violations of the relevant regulations on integrity management, they can report to the supervisor of the department or the chairman of the board of directors, The violation situation will be jointly reviewed by the responsible units. The verification will be punished according to the company's personnel regulations.	No difference
(2). Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		(2) When the company discovers or receives reports of dishonest behavior by the company's personnel, if it is confirmed that there are violations of relevant laws and regulations or the company's integrity management policies and regulations, it should immediately ask the perpetrators to top relevant behaviors and handle them appropriately, and if necessary, seek compensation for damages through legal procedures to safeguard the company's reputation and rights. The personal information of the whistleblower will be kept confidential, and appropriate protection measures will be taken in accordance with the law to protect personal information and privacy.	No difference
(3). Does the company provide proper whistleblower protection?	V		(3) The company is responsible for the confidentiality and protection of the whistleblower, and will not be improperly dealt with due to the whistleblower.	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
4. Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		The company has uploaded the integrity management operating procedures approved by the board of directors to the company's website MOPS to disclose information related to integrity management.	No difference
5. If the company has established the ethical corporate management policies based on “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the policies and their implementation.: There have been no differences.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies): Please refer to the company’s website or Market Observation Post System (“MOPS”).				

3.4.7 Corporate Governance Guidelines and Regulations

Please refer to the Company’s website at <http://www.davicom.com.tw> or Market Observation Post System (“MOPS”).

3.4.8 Other Important Information Regarding Corporate Governance:

Please refer to the Company’s website at <http://www.davicom.com.tw> or Market Observation Post System (“MOPS”).

Implementation status of ethical corporate management in 2021

- (1). The company held the 15th meeting of the 9th board of directors on November 9, 2021 to report to the directors on the implementation of ethical corporate management in 2021. In 2021, the ethical corporate implementation was promoted 127 in total, with a total of 143 hours.

Management goals	Measures	Performance
External Transaction Constraint by Special Provisions	When entering into contracts with their clients, agents, and suppliers, the companies shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the companies may at any time terminate or rescind the contracts.	Achieved
Internal of the company Training 、Promoting 、Whistleblower	Regularly conduct training and promotion on ethical corporate management to directors, managers, and employees. If you find any suspected violation of ethical corporate management, you must immediately report it to the management department esther_lin@davicom.com.tw .	Achieved
Precautions Internal Control, Internal Audit	For business activities with high risk of dishonest behavior, the company has established an effective accounting system and internal control system, and regularly reports to the board of directors through the internal audit system to review and implement the effectiveness and continuous improvement at any time to ensure the implementation of the integrity management policy.	Achieved

(2). Continuing Education/Training of Managers in 2021

Title & Name	Date	Host by	Training/ Speech Title	Duration
Finance Manager – Kuei-Feng Chiu	2021/05/20- 2021/05/21	Accounting Research and Development Foundation	Continuing training course for the Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Proxy of Finance Manager – Feng-Yu Liu	2021/05/20- 2021/05/21	Accounting Research and Development Foundation	Continuing training course for the Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Internal Auditor - Ching-Huan Hsiao	2021/01/18	The Institute of Internal Auditors-Chinese Taiwan	Fraud risk audit practice and management	6
	2021/09/02	The Institute of Internal Auditors-Chinese Taiwan	Manufacturing Material System Verification Practice	6
Proxy of Internal Auditor - Feng-Ching Yeh	2021/01/18	The Institute of Internal Auditors-Chinese Taiwan	Fraud risk audit practice and management	6
	2021/09/02	The Institute of Internal Auditors-Chinese Taiwan	Manufacturing Material System Verification Practice	6
Manager of Corporate Governance - Chun-Chun Yang	2021/09/01	Financial Supervisory Commission R.O.C(Taiwan)	The 13th Taipei Corporate Governance Forum	3
	2021/10/13	Taiwan Stock Exchange Corporation (TWSE)	2021 Annual Insider Equity Transaction Legal Compliance Seminar	3
	2021/11/03	Taiwan Stock Exchange Corporation (TWSE)	2021 Annual Prevention of Insider Trading Promotion Conference	3
	2021/12/07	Common Wealth Magazine & TWSE	2021 Cathy Sustainable Finance and Climate Change Summit	3
	2021/12/17	Securities & Futures Institute	Listed Company - Seminar on How to Use Futures Commodity Hedging Trading and Corporate Sustainability	3

3.4.9 Status of the Internal Control System Implementation

(1). Declaration of Internal Control

DAVICOM Semiconductor, Inc.

Statement of Declaration of Internal Control

Date: February 24th, 2022

DAVICOM Semiconductor, Inc. has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31st, 2021, and hereby declares the following:

1. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness (including profitability, performance, and security of assets), the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.
2. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms. The company will take immediate corrective actions once any shortcomings are identified.
3. The Company judges the effectiveness of the internal control systems in design and enforcement according to the “Criteria for the Establishment of Internal Control Systems of Public Offering Companies” (hereinafter referred to as “the Criteria”). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Criteria with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Criteria shall be referred to for details.
4. The Company has adopted the aforementioned internal control systems for an internal assessment of the effectiveness of internal control design and enforcement.
5. Based on the aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.
6. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the Securities and Exchanges Act.
7. This statement of declaration has been approved by the Board on February 24th 2022 with all Directors in session under unanimous consent.

DAVICOM Semiconductor, Inc.

Chairman: Ting Hao

President: Ting Hao

- (2). Disclose the Review Report of Independent Auditors if They are Retained for Reviewing the Internal Control System : None.

3.4.10 Reprimands on the Company and its Staff

Reprimand on the Company and its Staff in Violation of Laws, or Reprimand on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction : None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

- (1). Key solutions from the 2021 shareholders meeting

Meeting Resolutions
<ol style="list-style-type: none"> 1. Approved the 2020 Business Report and Financial Statements 2. Approved the proposal for distribution of 2020 earnings. <i>Implementation</i> : The ex-dividend date was set on August 4, 2021, and the distribution was completed on August 19, 2021. 3. Approved the proposal for cash distribution of 2020 additional paid in capital <i>Implementation</i> : The ex-dividend date was set on August 4, 2021, and the distribution was completed on August 19, 2021. 4. Approved the amendment of partial provision of Rules of Procedure for Shareholders Meetings <i>Implementation</i> : On July 13, 2021, it was announced on the company's website, and it was handled in accordance with the revised rules.

- (2). Key resolution from Board meeting

Date	Meeting Resolutions
04/11/2022	<p><i>Report Items</i> :</p> <ol style="list-style-type: none"> 1. The resolutions and implementation of the last board of directors (February 24, 2022) <ol style="list-style-type: none"> (1) Approved the 2021 distribution of Board of Director compensation and employee compensation. (2) Approved the 2021 Financial Statements (3) Approved the 2021 Statement of Declaration of Internal Control (4) Approved the 2022 operation budget (5) Approved amendments to partial provisions of Articles of Incorporation (6) Approved the company's general manager Ting Hao concurrently serving as the CEO 2. To report the first quarter 2020 internal control and audit status 3. The company's senior vice president Wen Chen retire on 2022/3/31 <p><i>Acknowledgments and Discussion Items</i> :</p> <ol style="list-style-type: none"> 1. Approved the proposal of company's Employee Stock Ownership Trust 2. Approved the proposal for distribution of 2021 earnings. 3. Approved the proposal for cash distribution of 2021 additional paid in capital 4. Approved the amendments to partial provisions of Articles of Incorporation 5. The tenure of the ninth term of directors and independent directors of the company will expire, and a comprehensive re-election proposal is proposed. 6. Approved the tenth election of directors (independent directors) of the company, and the qualifications review of the candidates

	<p>nominated by the company.</p> <p>7. Approved the proposal of the release of the non-competition restrictions on the 10th new elected directors and independent directors.</p>
02/24/2022	<p><i>Report Items :</i></p> <ol style="list-style-type: none"> 1. The resolutions and implementation of the last board of directors (26 January 2022) <ol style="list-style-type: none"> (1) To report the company's 2021 ESG execution (2) To report the fourth quarter 2021 internal control and audit status (3) To report 2021 Corporate Governance status (4) Approved the proposal of 2021 Board of Directors assessment of performance (5) Approved the promotion proposal of 2 managers in 2022 (6) Approved the 2021 manager year-end bonus. It has been distributed to colleagues on the afternoon of January 26. (7) Approved the cancellation of treasury shares repurchased in 2018. The record date of treasury shares cancellation is 2022/02/08 (8) Approved the 2022 CPA assessment of independence and performance of competence (9) Approved the 2022 CPA (Se-Kai, Lin and Chia-Hung, Lin from PricewaterhouseCoopers) appointment <p><i>Acknowledgments and Discussion Items :</i></p> <ol style="list-style-type: none"> 1. Approved the 2021 distribution of Board of Director compensation and employee compensation 2. Approved the 2021 Financial Statements 3. Approved the 2021 Statement of Declaration of Internal Control 4. Approved the 2022 operation budget 5. Approved amendments to partial provisions of Articles of Incorporation. 6. Approved the company's general manager Ting Hao concurrently serving as the CEO
01/26/2022	<p><i>Report Items :</i></p> <ol style="list-style-type: none"> 1. The resolutions and implementation of the last board of directors (November 09 2021). <ol style="list-style-type: none"> (1) To report the company's 2022 ESG execution plan (2) The Risk Management Committee of the company report the impact evaluation of risk and opportunities of Davicom caused by climate change on Oct. 7 2021 (3) To report the third quarter 2021 internal control and audit status (4) To report the implementation of 2021 Ethical Corporate Management (5) To report the 2021 company's prevention of insider trading promotion execution (6) Approved the third quarter 2021 consolidated financial statement (7) Approved the 2021 internal audit plan (8) Approved the establishment of the company's internal auditor's appointment and dismissal, evaluation, salary and remuneration measures (9) Approved the revision of the performance evaluation method of the Board of Directors of the Company. (10) Approved the Chairman Ting Hao, continued to serve as general manager and strategy chairman. 2. To report the company's 2021 ESG execution. 3. To report the fourth quarter 2021 internal control and audit status 4. To report 2021 Corporate Governance status <p><i>Acknowledgments and Discussion Items :</i></p>

	<ol style="list-style-type: none"> 1. Approved the proposal of 2021 Board of Directors assessment of performance 2. Approved the proposal of 2022 manager promotion 3. Approved the amount to be distributed through the company's 2021 annual managers' year-end bonus 4. Approved the cancellation plan of treasury shares which repurchased in 2018. 5. Approved the 2022 CPA assessment of Independence and performance of competence
11/09/2021	<p><i>Report Items :</i></p> <ol style="list-style-type: none"> 1. The resolutions and implementation of the last board of directors (August 10, 2021) <ol style="list-style-type: none"> (1) To report the second quarter 2021 internal control and audit status (2) Approved the second quarter 2021 consolidated financial statement 2. To report the company's 2022 ESG execution plan 3. The Risk Management Committee of the company report the impact evaluation of risk and opportunities of Davicom caused by climate change on Oct. 7 2021 4. To report the third quarter 2021 internal control and audit status 5. To report the implementation of 2021 Ethical Corporate Management 6. To conduct the 2021 company's prevention of insider trading education promotion to directors (independent directors) <p><i>Acknowledgments and Discussion Items :</i></p> <ol style="list-style-type: none"> 1. Approved the third quarter 2021 consolidated financial statement 2. Approved the 2022 internal audit plan 3. Approved the establishment of the company's internal auditor's appointment and dismissal, evaluation, salary and remuneration measures 4. Approved the revision of the performance evaluation method of the Board of Directors of the Company. 5. Chairman Ting Hao of the company has met the retirement age of 65 in accordance with the company's management standard "Labor Retirement Measures". However, the chairman is currently in good health and the company's operating performance has grown steadily. Considering the company's future development, all directors are unanimously approved that Chairman Ting Hao will continue to serve as the general manager and strategy chairman.
08/10/2021	<p><i>Report Items :</i></p> <ol style="list-style-type: none"> 1. The resolutions and implementation of the last board of directors (July 13, 2021). Approved the resolution date of share dividend of 2020 profit and Capital Surplus is on August 4th. 2. To report the second quarter 2021 internal control and audit status 3. To report the first quarter 2021 consolidated financial statement 4. To report the result of 2021 Board of Directors external assessment of performance <p><i>Acknowledgments and Discussion Items :</i></p> <ol style="list-style-type: none"> 1. Approved the proposal of 2020 internal employee compensation distribution 2. Approved the second quarter 2021 consolidated financial statement 3. Approved the amendment of partial provision of Regulations Governing Procedure for Board of Directors Meetings

07/13/2021	<p><i>Report Items :</i></p> <ol style="list-style-type: none"> 1. The resolutions and implementation of the last board of directors (June 21, 2021). The 2021 Annual General Meeting of Shareholders of the Company was held on: 13 July, 2021 at 9:00 am in the auditorium on the third floor of the Company. <p><i>Discussion Items :</i></p> <ol style="list-style-type: none"> 1. Approved the resolution date of share dividend of 2020 profit and Capital Surplus is on August 4th.
06/21/2021	<p><i>Report Items :</i></p> <ol style="list-style-type: none"> 1. The resolutions and implementation of the last board of directors (April 26, 2021). <ol style="list-style-type: none"> (1) To report the first quarter 2021 internal control and audit status (2) To report the first quarter 2021 consolidated financial statement (3) To report 2021 renew of liability insurance of directors and Managers (4) To report the company's 4 senior manager include Spenser Tsai, YC Chuang, Michael Chen, Robert Cheng has been list as insider since April 2021 (5) To report the period for submitting to the company's 2021 shareholders' meeting to accept shareholders' proposals has ended. There is no proposal from shareholders who hold one percent (1%) or more of the total number of outstanding shares this year. (6) Approved the company 2021 internal manager Dragon festival(year-end) bonus distribution (7) Approved the proposal for distribution adjusting of 2020 earnings. (8) Approved the proposal for cash distribution adjusting of 2020 additional paid in capital. <p><i>Discussion Items :</i></p> <ol style="list-style-type: none"> 1. In response to the epidemic alert of the FSC, the 2021 Annual General Meeting of Shareholders of the Company will be held on 13 July, 2021 (Tuesday) at 9:00 a.m. in the auditorium on the third floor of the Company.
04/26/2021	<p><i>Report Items :</i></p> <ol style="list-style-type: none"> 1. To report the resolutions and implementation of the last board of directors (26 February 2021). 2. To report the first quarter 2021 internal control and audit status 3. To report the first quarter 2021 consolidated financial statement 4. To report 2021 renew of liability insurance of directors and manage 5. To report the company's 4 senior manager include Spenser Tsai, YC Chuang, Michael Chen, Robert Cheng has been list as insider since April 26,2021. 6. During the company's 2021 annual general meeting of shareholders to accept shareholder proposals (2021/4/1~2021/4/12), the report on the situation of shareholder proposals: no shareholder proposal. <p><i>Acknowledgments and Discussion Items :</i></p> <ol style="list-style-type: none"> 1. Approved the company 2021 internal manager Dragon festival(year-end) bonus distribution 2. Approved the proposal for distribution adjusting of 2020 earnings. 3. Approved the proposal for cash distribution adjusting of 2020 additional paid in capital

02/26/2021	<p><i>Report Items :</i></p> <ol style="list-style-type: none"> 1. To report the resolutions and implementation of the last board of directors (November 11,2020). 2. To report the company's 2021 ESG execution plan 3. To report the fourth quarter 2020 internal control and audit status 4. To report 2020 Corporate Governance status 5. To report the 2021 promotion proposal of 2 vice president. <p><i>Acknowledgments and Discussion Items :</i></p> <ol style="list-style-type: none"> 1. Approved the proposal of 2020 Board of Directors assessment of performance 2. Approved the 2020 manager year-end bonus 3. Approved the 2021 CPA (Se-Kai, Lin and Chia-Hung, Lin from PricewaterhouseCoopers) assessment of Independence and performance of competence 4. Approved the 2021 CPA (Se-Kai, Lin and Chia-Hung, Lin from PricewaterhouseCoopers) appointment 5. Approved the 2020 distribution of Board of Director compensation and employee compensation 6. Approved the 2020 Business Report and Financial Statements 7. Approved the proposal for distribution of 2020 earnings. 8. Approved the proposal for cash distribution of 2020 additional paid in capital 9. Approved the 2020 Statement of Declaration of Internal Control 10. Approved the 2021 operation budget 11. Approved the amendment of partial provision of remuneration committee's regulation 12. Approved the amendment of partial provision of audit committee's regulation 13. Approved the amendment of partial provision of Rules of Procedure for Shareholders Meetings 14. Approved the date, location and agenda for convening the 2021 shareholder's meeting
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3.4.12 Major Issues of Record or Written Statements Made by Any Director or Independent Director Dissenting to Important Resolutions Passed by the Board of Directors : None

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D : None

3.5 Information on the professional fees of the attesting CPAs

- (1). The company shall disclose the amounts of the audit fees and non-audit fees paid to the attesting certified public accountants and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services.
- (2). The professional fees for auditing services in the preceding item means the professional fees paid by the company to certified public accountants for auditing, review, and secondary reviews of financial reports and for financial forecast reviews.

Information on CPA (External Auditor) Professional Fees

Unit: NT\$ Thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Pricewaterhouse Coopers (PWC)	Se-Kai Lin	Jan. 01, 2021 ~ Dec. 31, 2021	2,500	178	2,678	
	Chia-Hung Lin					

3.6 Replacement of CPA : None

3.7 Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed. The term "affiliated enterprise of a certified public accountant's accounting firm" means one in which the certified public accountants at the accounting firm of the attesting certified public accountant hold more than 50 percent of the shares, or of which such accountants hold more than half of the directorships, or a company or institution listed as an affiliated enterprise in the external publications or printed materials of the accounting firm of the certified public accountant. : None

3.8 Net Changes in Shareholding

- (1). Net change in shareholding and net change in shares pledged by directors, supervisors, management and shareholders with 10% shareholding or more.

Unit: Shares

Title	Name	2021		As of May 01, 2022	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman and President	Ting Hao	0	0	0	0
Director	Goodyears Investments Ltd.	0	0	0	0
Representative of Juridical Person Director	Wen-Chen Lin	0	0	0	0
Director	Tzay Hua Ltd.	0	0	0	0
Representative of Juridical Person Director	Cheng-Feng Chiu	0	0	0	0
Director	Yun-Ping Lin	0	0	0	0
Independent Director	Chang-Yue Ueng	0	0	0	0
Independent Director	Jen-Jyh Hwang	0	0	0	0
Independent Director	Niang-Shou Wei	0	0	0	0
CFO	Chun-Chun Yang	(78,000)	0	(15,000)	0
CTO	Cheng-Fang Chiu	0	0	0	0
Senior Vice President	Wen-Hsien Chen	0	0	0	0
Vice President	Hsin-Min Yu	0	0	0	0

- (2). Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the company as well as the company's directors, supervisors, and ten-percent shareholders, and the number of shares transferred or pledged:
None

3.9 Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another:

2022/05/01

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Remarks
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
Goodyears Investments Ltd.	3,982,475	4.79%	-	-	-	-	Tzay Hua Ltd.	Chairman as same person	-
Ting Hao	1,844,000	2.22%	-	-	-	-	-	-	-
Tzay Hua Ltd.	1,480,652	1.78%	-	-	-	-	Goodyears Investments Ltd.	Chairman as same person	-
DAVICOM Semiconductor, Inc. retirement/purchase account	1,400,000	1.68%	-	-	-	-	-	-	-
Mr. Lin	900,000	1.08%	-	-	-	-	-	-	-
Mr. Hsieh	556,000	0.67%	-	-	-	-	-	-	-
Mr. Liu	431,000	0.52%	-	-	-	-	-	-	-
Mr. Chiu	418,101	0.50%	-	-	-	-	-	-	-
Mr. Cheng	407,000	0.49%	-	-	-	-	-	-	-
Ms. Lin	339,324	0.41%	-	-	-	-	-	-	-

3.10 The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company :

Total Ownership of Shares in Investee Enterprises

As of Mar. 31, 2022 / Unit: shares

Investee enterprise	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	Shares	%	Shares	%	Shares	%
TSCC Inc.	4,400,000	100.00	-	-	4,400,000	100.00
Davicom Investment Inc.	21,200,000	100.00	-	-	21,200,000	100.00
Medicom Corp.	5,000,000	100.00	-	-	5,000,000	100.00
Aidialink Corp.	8,000,000	100.00	-	-	8,000,000	100.00

Note: Long-term investment calculated according to the equity method.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

(1). Issued Shares

Unit: thousands shares/ NT\$ thousands

Month/ Year	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Approval Document No.
08/1996	10	15,000	150,000	13,000	130,000	Share capital when established	None	Yuan-Shang-Tze No. 18363
02/1997	10	30,000	300,000	19,000	190,000	Cash Replenishment 60,000	None	Yuan-Shang-Tze No. 05937
09/1997	10	30,000	300,000	24,000	240,000	Cash Replenishment 50,000	None	Yuan-Shang-Tze No. 20851
04/1999	12.5	60,000	600,000	40,000	400,000	Cash Replenishment 160,000	None	Yuan-Shang-Tze No. 12659
06/2000	10	60,000	600,000	50,950	509,500	Replenishment of Earnings 109,500	None	Taiwan-Finance-Securities (I) No. 48804
07/2001	10	60,000	600,000	53,138	531,380	Replenishment of Earnings 21,880	None	Taiwan-Finance-Securities (I) No. 144747
08/2002	10	80,000	800,000	53,138	531,380	-	-	Yuan-Shang-Tze No. 19317
02/2004	15	80,000	800,000	64,000	640,000	Cash Replenishment 108,620	None	Yuan-Shang-Tze No. 13143
12/2006	9.6	80,000	800,000	64,585	645,850	Exercise of Employee Stock Options 5,850	None	Yuan-Shang-Tze No. 0950027059
04/2007	9.6	80,000	800,000	69,016	690,158	Exercise of Employee Stock Options 44,308	None	Yuan-Shang-Tze No. 0950027230
06/2007	10	80,000	800,000	70,070	700,700	Replenishment of Earnings 10,542	None	Yuan-Shang-Tze No. 0960015699
08/2007	56	90,000	900,000	79,413	794,130	Cash Replenishment 93,430	None	Yuan-Shang-Tze No. 60022848
12/2007	8.7	90,000	900,000	79,462	794,623	Exercise of Employee Stock Options 493	None	Yuan-Shang-Tze No. 970000349
01/2008	8.7	90,000	900,000	79,510	795,104	Exercise of Employee Stock Options 483	None	Yuan-Shang-Tze No. 970018560
08/2008	10	90,000	900,000	81,750	817,504	Replenishment of Earnings and Additional Paid In Capital 22,400	None	Yuan-Shang-Tze No. 970021404
10/2008	7.1 and 7.8	120,000	1,200,000	82,128	821,284	Exercise of Employee Stock Options 3,780	None	Yuan-Shang-Tze No. 970029806
12/2008	10	120,000	1,200,000	81,268	812,684	Cancellation of Treasury Stocks 8,600	None	Yuan-Shang-Tze No. 970037867
01/2009	7.1 and 7.8	120,000	1,200,000	81,337	813,374	Exercise of Employee Stock Options 690	None	Yuan-Shang-Tze No. 980000699
01/2009	10	120,000	1,200,000	79,337	793,374	Cancellation of Treasury Stocks 20,000	None	Yuan-Shang-Tze No. 980001875
04/2009	7.1 and 7.8	120,000	1,200,000	80,507	805,071	Exercise of Employee Stock Options 11,697	None	Yuan-Shang-Tze No. 980010044

07/2009	7.8	120,000	1,200,000	80,839	808,391	Exercise of Employee Stock Options 3,320	None	Yuan-Shang-Tze No. 980018733
12/2009	6.6 and 7.3	120,000	1,200,000	81,163	811,631	Exercise of Employee Stock Options 3,240	None	Yuan-Shang-Tze No. 980034868
03/2010	6.6 and 7.3	120,000	1,200,000	81,947	819,471	Exercise of Employee Stock Options 7,840	None	Yuan-Shang-Tze No. 990007831
07/2010	7.3 and 33.6	120,000	1,200,000	82,039	820,386	Exercise of Employee Stock Options 915	None	Yuan-Shang-Tze No. 990019884
09/2010	10	120,000	1,200,000	83,660	836,601	Replenishment of Additional Paid In Capital 16,215	None	Yuan-Shang-Tze No. 990027547
12/2010	6.0 and 32.1	120,000	1,200,000	84,085	840,851	Exercise of Employee Stock Options 4,250	None	Yuan-Shang-Tze No. 99036978
03/2011	10	120,000	1,200,000	82,587	825,871	Cancellation of Treasury Stocks 14,980	None	Yuan-Shang-Tze No. 1000006339
05/2011	6	120,000	1,200,000	83,323	833,236	Exercise of Employee Stock Options 7,365	None	Yuan-Shang-Tze No. 1000013183
09/2011	6	120,000	1,200,000	83,432	834,321	Exercise of Employee Stock Options 1,085	None	Yuan-Shang-Tze No. 1000026173
10/2011	10	120,000	1,200,000	85,099	850,986	Replenishment of Earnings and Additional Paid In Capital 16,665	None	Yuan-Shang-Tze No. 1000032771
03/2012	4.8	120,000	1,200,000	85,227	852,271	Exercise of Employee Stock Options 1,285	None	Yuan-Shang-Tze No. 1010008507
07/2012	4.8	120,000	1,200,000	85,259	852,591	Exercise of Employee Stock Options 320	None	Yuan-Shang-Tze No. 1010020767
12/2012	4.2	120,000	1,200,000	85,289	852,891	Exercise of Employee Stock Options 300	None	Yuan-Shang-Tze No. 1010039626
08/2014	25.9 and 24.8	120,000	1,200,000	85,452	854,521	Exercise of Employee Stock Options 163	None	Zhu- Shang -Tze No. 1030023720
11/2014	10	120,000	1,200,000	83,215	832,151	Cancellation of Treasury Stocks 2,237	None	Zhu- Shang -Tze No. 1030034128
03/2015	24.8	120,000	1,200,000	83,255	832,551	Exercise of Employee Stock Options 40	None	Zhu- Shang -Tze No. 104007422
10/2017	10.0	120,000	1,200,000	84,655	846,551	Issue of Restricted Stock Awards 14,000	None	Zhu- Shang -Tze No. 1060027458
08/2020	10.0	120,000	1,200,000	84,632	846,321	Cancellation of Restricted stock award 23	None	Zhu- Shang -Tze No. 1090024339
02/2022	10.0	120,000	1,200,000	83,117	831,171	Cancellation of Treasury Stocks 1,515	None	Zhu- Shang -Tze No. 1110004451

(2). Type of Stock

As of May 01, 2022 /Unit: Share

Share Type	Authorized Capital				Remarks
	Outstanding Stocks	Treasury Stocks	Un-issued Stocks	Total Stocks	
Common Stocks in registered form	81,717,089	1,400,000	36,882,911	120,000,000	-

(3). Information Relating to the Shelf Registration : None

4.1.2 Composition of Shareholders

As of May 01, 2022

Item	Government Agencies	Financial Institutions	Other legal entities	Foreign Institutions and Persons	Individuals	Total
No. of Shareholders	0	0	113	48	32,369	32,551
No. of shares held	0	0	7,361,426	1,268,028	74,484,635	83,117,089
Shareholding ratio	0	0	8.86%	1.53%	89.61%	100.00%

Note1 : Primary TWSE and TPEx listed companies and Emerging Stock companies should disclose the shareholding ratio of Mainland Chinese investors. "Mainland Chinese investors" means citizens, legal entities, groups, or other institutions of the Mainland China area, or a company in which the same have invested in a third jurisdiction as provided in Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in the Taiwan Area.

Note 2: The Composition of Shareholders include the Company's treasury Stocks: 1,400,000 shares.

4.1.3 Distribution of Shareholding

As of May 01, 2022

Common Share Shareholder Ownership	Number of Shareholders	Number of Shares Held	Percentage
1 ~ 999	17,339	382,073	0.46%
1,000 ~ 5,000	12,617	24,510,613	29.49%
5,001 ~ 10,000	1,506	12,086,191	14.54%
10,001 ~ 15,000	392	4,929,563	5.93%
15,001 ~ 20,000	253	4,735,922	5.70%
20,001 ~ 30,000	165	4,265,391	5.13%
30,001 ~ 40,000	80	2,896,129	3.48%
40,001 ~ 50,000	46	2,138,388	2.57%
50,001 ~ 100,000	93	6,350,671	7.64%
100,001 ~ 200,000	34	4,866,713	5.86%
200,001 ~ 400,000	17	4,536,207	5.46%
400,001 ~ 600,000	4	1,812,101	2.18%
600,001 ~ 800,000	0	0	0.00%
800,001 ~ 1,000,000	1	900,000	1.08%
1,000,001 and above	4	8,707,127	10.48%
Total	32,551	83,117,089	100.00%

Note : The Company has not issued preferred shares The Status of Distribution of Shareholding includes the Company's treasury Stocks: 1,400,000 shares.

4.1.4 List of Major Shareholders

Unit: Share

Shareholder's Name	Shareholding	
	Shares	Percentage
Goodyears Investments Ltd.	3,982,475	4.79%
Ting Hao	1,844,000	2.22%
Tzay Hua Ltd.	1,480,652	1.78%
DAVICOM Semiconductor, Inc. retirement/purchase account	1,400,000	1.68%
Mr.Lin	900,000	1.08%
Mr. Hsieh	556,000	0.67%
Mr. Liu	431,000	0.52%
Mr. Chiu	418,101	0.50%
Mr. Cheng	407,000	0.49%
Ms. Lin	339,324	0.41%

Note : The calculation of Major Shareholders' shareholding status includes the Company's treasury Stocks: 1,400,000 shares.

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2020 (Distributed In 2021)	2021 (Distributed In 2022)	Jan. 1 ~ Mar. 31, 2022
Market Price per Share			
Highest Market Price	26.20	50.00	46.90
Lowest Market Price	14.20	22.00	31.30
Average Market Price	19.94	33.52	37.21
Book Value per Share			
Before Distribution	13.19	13.26	NA
After Distribution	11.57	Note 9	NA
Earnings per Share			
Weighted Average Shares (thousand shares)	82,032	81,717	NA
Diluted Earnings Per Share	0.41	0.85	NA
Adjusted Diluted Earnings Per Share	0.41	Note 9	NA
Dividends per Share			
Cash Dividends	0.36	Note 9	NA
Stock Dividends			
Dividends from Retained Earnings	0	Note 9	NA
Dividends from Capital Surplus	0.44	Note 9	NA
Accumulated Undistributed Dividends	0	Note 9	NA
Return on Investment			
Price / Earnings Ratio	35.80	39.44	NA
Price / Dividend Ratio	43.35	Note 9	NA
Cash Dividend Yield Rate	2.31	Note 9	NA

* If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at yearend. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price/earnings ratio = average closing price per share for the year / earnings per share.

Note 6: Price / dividend ratio = average closing price per share for the year / cash dividends per share.

Note 7: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

Note 9: The proposal of earnings distribution has been approved by Board of Directors on Apr. 11, 2022. But, it hasn't been approved by the Annual Shareholders' Meeting so that the figures are not available to be presented.

4.1.6 Dividend Policy and Implementation Status

(1). Dividend Policy under the Articles of Incorporation

The Company's earnings may be distributed in the form of cash dividends or stock dividends. The company may distribute all the distributable earnings of the current year based on the consideration of financial, business and operational factors, among which the distribution of dividends to shareholders can be made in cash or shares. The proportion of cash dividends distributed to shareholders shall not be less than 30% of the total dividends to shareholders. The objects of employee distribution of stock dividends include employees of subordinate companies who meet certain conditions, and the certain conditions are determined by the board of directors.

(2). The company's dividend policy is determined by the board of directors based on the company's operating conditions, capital needs, capital expenditure budget, changes in the overall internal and external environment, and taking into account the interests of shareholders. Unless other special circumstances are considered, the distribution principle should not exceed 80% to 90% of the after-tax surplus of the current year. The dividend distribution has been resolved by the board of directors that cash dividends account for 90% of the distributable earnings.

(3). Proposal to Distribute 2021 Profits (Approved by the Board and subject to Shareholders' approval)

A total of NT\$39,796,222(NT\$0.487 per share) out of 2021 distributable profits will be distributed as cash dividends which is 99.84% of distributable profits. Additional total of NT\$41,920,867 out of Paid in Capital will be distributed as cash dividends. Each shareholder will receive NT\$0.513 per share. Each shareholder will be entitled to receive a total cash dividend of NT\$1 per share.

4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting. : Not applicable.

4.1.8 Compensation of employees and directors

(1). The percentages or ranges with respect to employee and director compensation, as set forth in the company's articles of incorporation:

According to Section 28 in the Article of Incorporation, the company shall pay taxes, cover accumulated deficits and set 10% of its net earnings apart as earned surplus. It is proposed that the board of directors has the authorization to adjust retained earnings distribution and submit it to shareholders meeting for approval.

To encourage all the employees and management team, a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration.

A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attend by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of

shares or in cash. In addition, a report of such distribution shall be submitted to the shareholders' meeting. Directors' remuneration shall be distributed in cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive employees' compensation in the form of stock or cash are set by the Board of Directors.

- (2). The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The Company's assessment of employees' compensation and directors' remuneration is based on the amount of experience in the past. In 2021, it is estimated 8.50% of pre-tax profit for employees' compensation and 2% of pre-tax profit for director's remuneration. If there is a difference between the actual distribution amount and the estimation, it shall be adjusted according to the accounting estimates and adjusted in the resolution of the shareholders' meeting resolution.

- (3). Information on any approval by the board of directors of distribution of compensation:

a. The amount of any employee compensation distributed in cash or stocks and compensation for directors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: Directors' remuneration is NT\$1,808,167 (2.00% of pre-tax profit) and the profit for total employees is NT\$ 7,684,712 (8.50% of pre-tax profit); both shall be paid in cash. The amounts are as same as those recognized in the 2021 financial statement.

b. The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: The Company proposes that all employee remuneration will be paid in cash, so the amount of employee stock remuneration and the proportion of the current period's net profit after tax and total employee remuneration are both 0.

- (4). The actual distribution of employee and director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee and director compensation, additionally the discrepancy, cause, and how it is treated: The Directors' remuneration of 2020 was NT\$838,740 and total employees' compensation was NT\$3,568,646; both were paid in cash. Both amounts as same as resolved by the Board of Directors.

4.1.9 Share Repurchases by the Company (Repurchases Already Completed)

As of Apr. 30, 2022

Repurchase no.	The first time, 2018	The first time, 2020
Purpose of repurchase	To transfer to employees	To transfer to employees
Repurchase period	2018/12/12 - 2019/02/11	2020/03/02 - 2020/05/01
Repurchase price range	14.5 - 24.0	16.5 - 25.0
Types and numbers of shares bought back	1,515,000 common shares	1,400,000 common shares
Amount of shares bought back (NT\$)	NT\$ 28,115 thousands	NT\$ 22,736 thousands
The number of repurchased shares that have been cancelled or transferred	1,515,000 shares	-
Accumulated number of the Company's shares held by the Company	0 shares	1,400,000 shares
Ratio of the accumulated number of the Company's shares held by the Company to the total number of issued shares (%)	0.00	1.68

4.2 Status of Corporate Bonds : None

4.3 Status of Preferred Stocks : None

4.4 Status of GDR/ADR : None

4.5 Status of Employee Stock Options Plan :

- (1). Unexpired employee subscription warrants issued by the company: None
- (2). The annual report shall disclose the names of top-level company executives holding employee share subscription warrants and the cumulative number of such warrants exercised by said executives as of the date of publication of the annual report. The annual report shall also disclose the names of the ten employees holding employee subscription warrants authorizing purchase of the most shares and whose subscription amount exceeds NT\$30,000,000, along with the cumulative number of warrants exercised by these ten employees, as of the date of publication of the annual report: None.

4.6 Status of New Employees Restricted Stock Issuance :

- (1). Issuance of New Restricted Employee Shares: None
- (2). List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares: None

4.7 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies shall specify the following matters : None

4.8 Financing Plans and Implementation : None

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

(1). Main Areas of Business Operations

a). Design, research, develop, produce, manufacture and market the following products:

Product line of communication network integrated circuit	① Modem Chipsets ② LAN Controller ③ ISDN Modem Chipsets ④ Cable Modem Chipsets ⑤ ATM Transceiver and Controller ⑥ Provide the above-mentioned products with technological consultation services.
Product line of video images integrated circuit	① Video Decoder ② Provide technological consultation services for the product.
Product line of electronic paper display (EPD) driver integrated circuit	① EPD Segment Driver IC ② EPD Segment Controller IC ③ EPD Dot Matrix Driver Controller IC ④ Provide the above-mentioned products with technological consultation services.
Product line of microcontroller integrated circuit	① MCU IC ② Provide technological consultation services for the product.

b). Import and export of the above-mentioned products

(2). Revenue Distribution

As of Dec. 31, 2021

Major Divisions	(%) of Total Sales
LAN	87%
Other	13%

(3). Products Currently Offered by DAVICOM

Product	Product Specifications
USB 1.1/2.0 to Ethernet	3.3V/1.8V · 0.18μm IC design; up to USB2.0/480Mbps with high speed; design for ultra-low power in power saving mode
Multi-port Embedded 10/100M Ethernet Switch Controller	10M/100Mbps Fast Ethernet Switch Controller; Support QoS · VLAN, IGMP, STP/RSTP, MLD; Design for integrated two port physical layer/transceiver single-chip
Industrial Fast 10/100M Ethernet Switch Controller	Support IEEE 1588 Precision Time Protocol (PTP), industrial-temperature (-40°C~ +85°C), and general Electrical Specifications.
Industrial Embedded 10/100/1000M Multi-port Giga-PHY Transceiver	Industrial Embedded 10/100/1000M Multi-port Giga-PHY Transceiver compliant with Industrial Operation Temperature (-40°C ~ +85°C)
10/100M TX/FX copper/fiber Media Ethernet Converter	Three port 10M/100Mbps Fast Ethernet Switch Controller with TX/FX copper/fiber Media; Low

	Latency effect to improve media conversion efficiency.
Consumer 10/100M USB 2.0 Dongle	Integrated multi-port 10/100M USB 2.0 Dongle
AI SoC With Integrated Image Recognition	Integrated Single chip Solution with CIS, NPU,MCU and image recognition.
Video Decoder with Safety Monitoring	1 channel Video Decoder / 4 channel (mixer) Video Decoder
Electronic paper display (EPD) Driver	Multi-segment Electronic paper display (EPD) Driver design for e-paper application spec.
MCU IC Microcontroller Chip for measuring health signal application	Embedded ROM/Flash, RAM, ADC, GPIO, UART/SPI/ISO7816, Low-Voltage Reset, ESD protection

(4). New Products under Development

Product	Product Specifications
Communication Network Protocol Acceleration Chip	Network protocol standard, 10/100/1000M physical layer and low power Ethernet
Ethernet Chip with Industrial Control Interface	SPI, I2C, 10/100, ESD
Multi-Segment and Dot-Matrix EPD Driver IC for E-paper Display	Compliant with most of E-paper providers
ESL System Total Solution	ESL Tag, Wireless AP, Server, API, etc.
Artificial Intelligence (AI) Image Sensor and Recognition IC	CMOS sensor, CPU, GPU and AI-based Image Recognition algorithm

5.1.2 Industry Overview

- (1). Macroeconomic Environment
- (2). Current Status and Future Development of DAVICOM
- (3). Relationship with Up-, Middle- and Downstream Companies
- (4). Product Trends and Competition
- (5). Please refer to page 50-51 of the Chinese version annual report.

5.1.3 Research and Development

- (1). Research and Development Expenses

Year	R & D Expenses	Expressed in thousands of NTD
		%
01/01/2022-03/31/2022	17,208	23
01/01/2021-12/31/2021	72,716	26

- (2). Please refer to page 52 of the Chinese version annual report

5.1.4 Long-term and Short-term Development Plans

- (1). Short-term Development Plans
 - a). Strengthen business management, reduce risk accounts, and actively develop the mainland market and the Asia-Pacific market.
 - b). Expand the sales scale and promote the new products to increase margin.
 - c). Focus on quality management and provide customized service.
- (2). Long-term Development Plans
 - a). Participate actively in cooperating with global corporations.
 - b). Continue to work closely with the supply chain and develop cost-effective solutions to ensure that product prices are competitive and increase market

share.

- c). Provide best services and build up close relationship with customer to sustain more business possibilities to ensure the company's stable growth of margin.

5.2 Market and Sales Overview

5.2.1 Market Analysis

(1). Sales (Service) Region

As of Dec. 31, 2021 / Unit: NT\$ thousand

Division \ Area	Export Sales		Domestic Sales
	China	Overseas	Taiwan
LAN	155,195	50,946	39,780
EPD	1,345	15	3,850
Video	15,216	1,070	1,379
WAN & Others	537	4,593	9,544
Total	172,293	56,624	54,553

(2). Market Share of Major Product Categories

In recent years, the company has been committed to the niche market of embedded system chip. With a wide range of technical support and quality assurance, the products have won customers' trust, and the company's performance and its profit also increase remarkably.

(3). Market Analysis of Major Product Categories

With low price, high bandwidth and user-friendly features, Ethernet has not only become the most widely used local area networking technology, but also been gradually evolving new capabilities to enter customer electronics field and become the most attractive Embedded System Networking Technology.

(4). Favorable and Unfavorable Factors in the Long Term

a). Favorable factors:

- have been in the embedded system network communications market for years
- strong strategic alliances and partners
- own solid communication core technology
- efficient and systematic logistic control of production

b). Unfavorable factors:

- foreign competitors trying to use price-cutting to gain market share
- wireless based and SoC products will threaten the market of existing products

5.2.2 Main Uses and Production Procedures of Main Products

(1). Major Products and Their Main Uses

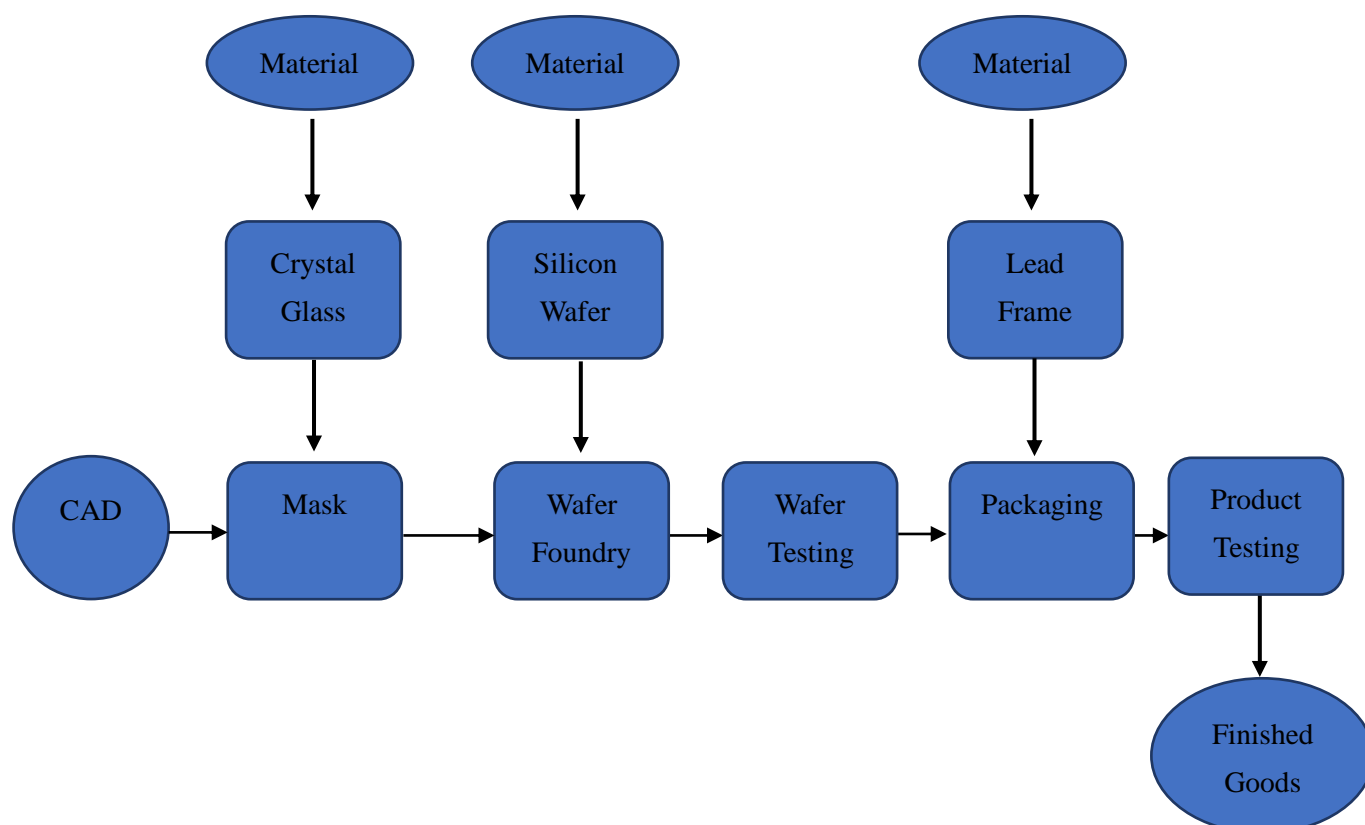
Major Products	Main Uses
Local Area Network Chipsets (LAN)	Computer communications application on the network card, hubs and switches, as local network resources to transfer and share.
Wide Area Network Chipsets (WAN)	Computer communications on the application of the data machine, as a remote access for data and video transmission.
Video Decoder Chipsets	Closed-circuit television security monitoring system or DVR / NVR system applications, as the camera image signal decoding.

Electronic Paper Display (EPD)	Drive electronic paper, suitable for low-power applications and equipment, such as financial smart cards, electronic shelf labels, wearing equipment etc.
Microcontroller Unit (MCU)	Motor control, analogy digital signal, RFID, financial smart card, electronic shelf labels, wearable equipment etc.

(2). Production Processes

The Group is a fabless IC design company.

We outsourced manufacturing to wafer foundries, packaging houses and testing companies.



5.2.3 Supply Status of Main Materials

Major Raw Materials	Wafer
Source of Supply	United Microelectronics Corporation (UMC)
Supply Situation	Long-term partnership
Procurement Strategy of DAVICOM	Focus on quality and the market trend. Our long-term partner United Microelectronics Corporation (UMC) has been able to maintain good quality and process capability, satisfying DAVICOM's requirements. DAVICOM negotiates pricing with suppliers according to the market supply and demand conditions. It also reviews the production and service quality periodically with its suppliers. DAVICOM not only continues to strengthen its cooperation with existing manufacturing partners, but also actively surveys and contacts other potential suppliers to ensure secured supply, high quality, and low-cost procurement.

5.2.4 Major Suppliers and Clients

(1). Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2020				2021			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	I	23,469	70.41	None	I	27,896	69.18	None
2	III	4,317	12.95	None	III	5,561	13.79	None
3	VII	2,265	6.79	None	VII	4,615	11.45	None
4	Others	3,282	9.85	None	Others	2,252	5.58	None
	Net Total Supplies	33,333	100.00		Net Total Supplies	40,324	100.00	

Note: Due to the vertical integration of the market, our main raw material wafers are purchased from UMC.

(2). Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2020				2021			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	B	65,947	28.24	None	B	79,470	28.03	None
2	A	35,323	15.12	None	A	34,947	12.33	None
3	C	32,988	14.13	None	C	33,390	11.78	None
4	Others	99,284	42.51	None	Others	135,663	47.86	None
	Net Total Supplies	233,542	100.00		Net Total Supplies	283,470	100.00	

Note: The reason for variation is mainly due to the dispersion of part of the agency business.

5.2.5 Production in the Last Two Years

Unit: NT\$ thousands/ thousand pieces

Year Output Major Products	2020			2021		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
LAN	-	5,962	58,413	-	7,251	70,957
EPD	-	585	3,300	-	488	2,842
Others	-	282	5,708	-	475	10,421
Total	-	6,829	67,421	-	8,214	84,220

Note: DAVICOM outsourced manufacturing to wafer foundries, packaging houses and testing companies.

There's no production capacity limitation.

5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands/ thousand pieces

Year Shipments and Sales Major Products	2020				2021			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
LAN	449	20,602	5,802	183,174	860	42,062	6,089	206,141
EPD	768	4,406	108	2,815	580	3,850	106	1,360
Others	25	5,065	289	17,480	224	8,641	379	21,416
Total	1,242	30,073	6,199	203,469	1,663	54,553	6,575	228,917

5.3 Human Resources

Year		2020	2021	As of Mar. 31, 2022
Number of Employees	Engineering	52	52	53
	Administration	21	22	22
	Total	73	74	75
Average Age		50.9	51.1	51.8
Average Years of Service		14.1	14.2	15.0
Education	Doctoral	1	1	1
	Master	28	29	30
	Bachelor's Degree	41	41	41
	Senior High School	3	3	3

5.4 Environmental Protection Expenditure

The Group is a fabless IC design company and engaged with no production activities. The production, packaging and testing are outsourced to qualified subcontractors. There were no environmental penalties in the past years.

5.5 Labor Relations

Please refer to page 56~58 of the Chinese version annual report.

5.6 Cyber security management

Please refer to page 58~59 of the Chinese version annual report.

5.7 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Land Lease	Hsinchu Science Park Administration	Jan. 01, 2022~Dec. 31, 2041	DAVICOM's Headquarters	According to the contract

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1.1 Five-Year Financial Summary – Individual Balance Sheet – IFRS

Unit: NT\$ thousands

Year Time		Financial Summary for The Last Five Years				
		Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021
Current assets		655,442	603,561	531,249	343,228	359,143
Property, Plant and Equipment		125,105	121,633	160,142	166,738	141,172
Intangible assets		125	152	84	91	1,267
Other assets		6,888	8,338	15,291	13,117	11,938
Total assets		1,263,760	1,206,834	1,229,378	1,159,844	1,172,793
Current liabilities	Before distribution	45,825	39,593	44,606	37,214	49,849
	After distribution	122,015	106,105	111,949	102,588	Note
Non-current liabilities		18,020	17,889	80,422	78,844	77,661
Total liabilities	Before distribution	63,845	57,482	125,028	116,058	127,510
	After distribution	140,035	123,994	192,371	181,432	Note
Equity attributable to shareholders of the parent		1,199,915	1,149,352	1,104,350	1,043,786	1,045,283
Capital stock		846,551	846,551	846,551	846,321	846,321
Capital surplus		250,252	219,776	186,520	157,128	121,172
Retained earnings	Before distribution	116,479	108,378	116,884	111,296	151,352
	After distribution	70,765	75,122	78,640	81,878	Note
Other equity interest		(13,367)	(8,977)	(17,490)	(20,108)	(22,711)
Treasury stock		—	(16,376)	(28,115)	(50,851)	(50,851)
Total equity	Before distribution	1,199,915	1,149,352	1,104,350	1,043,786	1,045,283
	After distribution	1,123,725	1,082,840	1,037,007	978,412	Note

Note 1: Above financial data hasn't been approved by 2022 Annual Shareholders' Meeting.

Note 2: If the company that has conducted any asset revaluation in a fiscal year, it shall state the date of the asset revaluation and the amount of the revaluation increment.

Note 3: The above financial information has been verified, certified or reviewed by an accountant.

6.1.1.2 Five-Year Financial Summary – Consolidated Balance Sheet – IFRS

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years					As of March 31, 2022
		Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	
Current assets		957,276	917,316	823,753	742,956	752,823	787,905
Property, Plant and Equipment		126,720	122,860	160,982	166,738	141,172	140,211
Intangible assets		124	153	84	91	1,267	1,274
Other assets		6,888	8,338	15,292	13,117	11,992	11,090
Total assets		1,265,739	1,209,347	1,234,889	1,160,407	1,173,379	1,195,349
Current liabilities	Before distribution	47,470	40,972	48,998	37,777	50,435	58,265
	After distribution	123,660	107,004	116,341	103,151	Note	Note
Non-current liabilities		18,171	17,942	80,423	78,844	77,661	68,486
Total liabilities	Before distribution	65,641	58,914	129,421	116,621	128,096	126,751
	After distribution	141,831	125,426	196,764	181,995	Note	Note
Equity attributable to shareholders of the parent		1,199,915	1,149,352	1,104,350	1,043,786	1,045,283	1,068,598
Capital stock		846,551	846,551	846,551	846,321	846,321	831,171
Capital surplus		250,252	219,776	186,520	157,128	121,172	119,696
Retained earnings	Before distribution	116,479	108,378	116,884	111,296	151,352	160,094
	After distribution	70,765	75,122	78,640	81,878	Note	Note
Other equity interest		(13,367)	(8,977)	(17,490)	(20,108)	(22,711)	(19,627)
Treasury stock		—	(16,376)	(28,115)	(50,851)	(50,851)	(22,736)
Non-controlling interest		183	1,081	1,118	—	—	—
Total equity	Before distribution	1,200,098	1,150,433	1,150,433	1,043,786	1,045,283	1,068,598
	After distribution	1,123,908	1,083,921	1,038,125	978,412	Note	Note

Note 1: Above financial data hasn't been approved by 2022 Annual Shareholders' Meeting.

Note 2: If the company that has conducted any asset revaluation in a fiscal year, it shall state the date of the asset revaluation and the amount of the revaluation increment.

Note 3: The above financial information has been verified, certified or reviewed by an accountant.

6.1.2.1 Five-Year Financial Summary – Individual Statement of Comprehensive Income – IFRS

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years				
	2017	2018	2019	2020	2021
Operating revenue	305,296	250,432	232,706	225,872	273,987
Gross profit	209,093	170,766	158,130	155,247	198,945
Income from operations	57,957	13,084	12,120	21,785	59,103
Non-operating income and expenses	1,048	29,352	33,072	15,792	21,812
Profit before Income Tax	59,005	42,436	45,192	37,577	80,915
Net income from operations of continued segments	52,327	37,635	41,396	33,453	69,662
Income (Loss) from Discontinued Operation	—	—	—	—	—
Net income	52,327	37,635	41,396	33,453	69,662
Other comprehensive income (income after tax)	55,197	39,405	28,266	28,838	66,871
Total comprehensive income	55,197	39,405	28,266	28,838	66,871
Net income attributable to shareholders of the parent	52,327	37,635	41,396	33,453	66,871
Net income attributable to non-controlling interest	—	—	—	—	—
Comprehensive income attributable to Shareholders of the parent company	55,197	39,405	28,266	28,838	66,871
Comprehensive income attributable to non-controlling interest	—	—	—	—	—
Earnings per share	0.63	0.44	0.50	0.41	0.85

Note: Above financial data has been audited by CPA.

6.1.2.2 Five-Year Financial Summary – Consolidated Statement of Comprehensive Income – IFRS

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years					As of March 31,2022
	2017	2018	2019	2020	2021	
Operating revenue	307,342	261,095	242,531	233,542	283,470	75,799
Gross profit	210,072	173,796	161,049	156,777	201,567	54,647
Income from operations	53,338	9,980	10,186	20,233	56,524	18,853
Non-operating income and expenses	5,239	32,871	35,089	17,327	24,391	7,785
Income before Income Tax	58,577	42,851	45,275	37,560	80,915	26,638
Net income from operations of continued segments	51,880	37,923	41,433	33,436	69,662	20,231
Income (Loss) from Discontinued Operation	—	—	—	—	—	—
Net income	51,880	37,923	41,433	33,436	69,662	20,231
Other comprehensive income (income after tax)	54,750	39,693	28,303	28,821	66,871	23,315
Total comprehensive income	54,750	39,693	28,303	28,821	66,871	23,315
Net income attributable to shareholders of the parent	51,880	37,923	41,396	33,453	69,662	20,231
Net income attributable to non-controlling interest	(447)	288	37	(17)	—	—
Comprehensive income attributable to Shareholders of the parent	55,197	39,405	28,266	28,838	66,871	23,315
Comprehensive income attributable to non-controlling interest	(447)	288	37	(17)	—	—
Earnings per share	0.63	0.44	0.50	0.41	0.85	0.25

Note: Above financial data has been audited by CPA.

6.1.3 Auditors' Opinions from 2017 to 2021

Year	Accounting Firm	CPA	Audit Opinion
2021	PWC	Se-Kai Lin, Chia-Hung Lin	Unqualified Opinion
2020	PWC	Se-Kai Lin, Hsien-Cheng Chen	Unqualified Opinion
2019	PWC	Se-Kai Lin, Chun-Yuan Hsiao	Unqualified Opinion
2018	PWC	Se-Kai Lin, Chun-Yuan Hsiao	Unqualified Opinion
2017	PWC	Se-Kai Lin, Chun-Yuan Hsiao	Unqualified Opinion

6.2 Five-Year Financial Analysis

6.2.1 Five-Year Individual Financial Analysis - IFRS

Year Item		Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt Ratio	5.05	4.76	10.17	10.01	10.87
	Ratio of long-term capital to property, plant and equipment	973.53	959.64	739.83	673.29	795.44
Solvency (%)	Current ratio	1,430.32	1,524.41	1,190.98	922.31	720.46
	Quick ratio	1,346.57	1,439.75	1,122.29	848.79	650.49
	Times interest earned (times)	1,967.83	1,369.90	71.07	60.08	133.00
Operating performance	Accounts receivable turnover (times)	6.28	5.28	5.73	7.13	8.42
	Average collection period	58.12	69.13	63.70	51.19	43.35
	Inventory turnover (times)	1.76	1.52	1.76	1.85	1.84
	Accounts payable turnover (times)	6.82	6.13	7.09	7.90	8.84
	Average days in sales	207.39	240.13	207.39	197.30	198.37
	Property, plant and equipment turnover (times)	2.41	2.03	1.65	1.38	1.78
	Total assets turnover (times)	0.24	0.20	0.19	0.19	0.23
Profitability	Return on total assets (%)	4.09	3.05	3.44	2.84	6.01
	Return on shareholders' equity (%)	4.32	3.20	3.67	3.11	6.67
	Pre-tax income to paid-in capital (%)	6.97	5.01	5.34	4.44	9.56
	Profit ratio (%)	17.14	15.03	17.79	14.81	25.43
	Earnings per share (NT\$)	0.63	0.44	0.50	0.41	0.85
Cash flow	Cash flow ratio (%)	116.91	134.22	161.48	111.70	164.57
	Cash flow adequacy ratio (%)	94.46	64.98	57.95	49.16	51.36
	Cash reinvestment ratio (%)	(3.47)	(2.17)	0.53	(2.66)	1.78
Leverage	Operating leverage	2.82	8.34	6.73	5.41	2.95
	Financial leverage	1.00	1.00	1.06	1.03	1.01
<p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) The variation of Liquidity Analysis (ratio) is mainly due to the increase in investment to subsidiary and the decrease in cash equivalents. The variation of Cash Flow Reinvestment Ratio is mainly due to the decrease in net Cash Provided by Operating Activities and the increase in investment to subsidiary.</p>						

6.2.2. Five-Year Consolidated Financial Analysis - IFRS

Item \ Year	Year	Financial Analysis for the Last Five Years					As of March 31, 2022
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt Ratio	5.19	4.87	10.48	10.05	10.92	10.60
	Ratio of long-term capital to property, plant and equipment	961.24	950.10	735.97	673.29	795.44	810.98
Solvency (%)	Current ratio	2,016.59	2,238.89	1,681.20	1,966.69	1,492.66	1,352.26
	Quick ratio	1,932.28	2,151.99	1,613.08	1,888.44	1,414.76	1,279.27
	Interest earned ratio (times)	1,890.58	1,383.29	71.19	60.06	133.00	177.41
Operating performance	Accounts receivable turnover (times)	6.32	5.48	6.30	7.18	8.45	8.70
	Average collection period	57.75	66.61	57.94	50.84	43.20	41.93
	Inventory turnover (times)	1.78	1.63	1.82	1.90	1.88	1.70
	Accounts payable turnover (times)	6.90	6.47	6.63	7.50	9.55	7.75
	Average days in sales	205.05	223.92	200.54	192.11	194.19	214.5
	Property, plant and equipment turnover (times)	2.39	2.09	1.71	1.43	1.84	2.16
	Total assets turnover (times)	0.24	0.21	0.20	0.20	0.24	0.26
Profitability	Return on total assets (%)	4.05	3.07	3.43	2.83	6.01	1.72
	Return on shareholders' equity (%)	4.29	3.23	3.67	3.11	6.67	1.91
	Pre-tax income to paid-in capital (%)	6.92	5.06	5.35	4.44	9.56	3.20
	Profit ratio (%)	16.88	14.52	17.08	14.32	24.57	26.69
	Earnings per share (NT\$)	0.63	0.44	0.50	0.41	0.85	0.25
Cash flow	Cash flow ratio (%)	94.35	131.72	126.64	104.19	150.29	48.85
	Cash flow adequacy ratio (%)	87.43	77.29	67.00	58.05	58.66	69.89
	Cash reinvestment ratio (%)	(4.29)	(2.10)	(0.44)	(2.97)	1.14	2.78
Leverage	Operating leverage	2.84	14.13	12.86	6.23	2.71	2.17
	Financial leverage	1.00	1.00	1.07	1.03	1.01	1.01
<p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) The variation of Cash Flow Reinvestment Ratio is mainly due to the decrease in net Cash Provided by Operating Activities and the office purchase.</p>							

Glossary:

1. Financial structure Analysis:

- (1). Debt ratio = Total liabilities / Total assets
- (2). Long-term asset to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

2. Solvency Analysis:

- (1). Current ratio = Current assets / Current liabilities
- (2). Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities
- (3). Times interest earned ratio = Earnings before interest and taxes / Interest expenses

3. Operating performance Analysis:

- (1). Average receivable turnover (times) = Net sales / Average trade receivables
- (2). Days sales in account receivable = 365 / Average receivable turnover (times)
- (3). Inventory turnover (times) = Cost of goods sold / Average inventory
- (4). Average payable turnover (times) = Purchase / Average accounts payables
- (5). Average days in sales = 365 / Inventory turnover (times)
- (6). Property, plant and equipment turnover (time) = Net sales / Average property, plant and equipment
- (7). Total assets turnover (times) = Net sales / Average assets

4. Profitability Analysis:

- (1). Ratio of return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets]
- (2). Ratio of return on shareholders' equity = Net income / Average shareholders' equity
- (3). Profit ratio = Net income / Net sales
- (4). Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average stock issued

5. Cash Flow:

- (1). Cash flow ratio = Net cash provided by operating activities / Current Liabilities
- (2). Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3). Cash reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long term investments + other noncurrent assets + working capital)

6. Leverage:

- (1). Operating leverage = (Net operating income – operating cost and expense) / Operating income
- (2). Financial leverage = Operating income / (Operating income – interest expense)

6.3 Audit Committee's Review Report

DAVICOM Semiconductor Inc.

Audit Committee's Review Report

The Company's 2021 Financial Statements have been agreed by Audit Committee members of the Company and approved by the Board of Directors. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements.

The Board of Directors has prepared the Company's 2021 Business Report and proposal for allocation of profits. The 2021 Business Report and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

To Davicom Semiconductor Inc. 2022 Annual Shareholders' Meeting

Independent Director: Chang-Yue Ueng

Independent Director: Jen-Jyh Hwang

Independent Director: Niang-Shou Wei

February 24, 2022

6.4 2021 Only Financial Statement and Report of Independent Accountants

Please refer to Only Financial Statement and Report page 01~59

6.5 2021 Consolidated Financial Statement and Report of Independent Accountants

Please refer to Consolidated Financial Statement and Report page 01~58

6.6 The Impact on the Company's Financial Status in Cases where the Company or its Affiliates have Financial Difficulties : None

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	752,823	742,956	9,867	1.33%
Property, plant and equipment	141,172	166,738	-25,566	-15.33%
Intangible assets	1267	91	1,176	1,292.31%
Other assets	278,117	250,622	27,495	10.97%
Total Assets	1,173,379	1,160,407	12,972	1.12%
Current liabilities	50,435	37,777	12,658	33.51%
Non-current liabilities	77,661	78,844	-1,183	-1.50%
Total liabilities	128,096	116,621	11,475	9.84%
Equity attributable to owners of parent	1,045,283	1,043,786	1,497	0.14%
Capital stock	846,321	846,321	0	0.00%
Capital surplus	121,172	157,128	-35,956	-22.88%
Retained earnings	151,352	111,296	40,056	35.99%
Other equity interest	-22,711	-20,108	-2,603	12.95%
Treasury shares	-50,851	-50,851	0	0.00%
Non-controlling interests	0	0	0	0.00%
Total equity	1,045,283	1,043,786	1,497	0.14%
Analysis of changes in financial ratios:				
1. The decrease in Capital surplus is mainly due to distribution of cash dividends.				
2. The increase in Retained earnings is mainly due to the increase in the company's operations				

7.2 Analysis of Financial Performance

Unit: NT\$ thousands

	2021	2020	Difference	
			Amount	%
Operating revenue	283,470	233,542	49,928	21.38%
Gross profit from operations	201,567	156,777	44,790	28.57%
Net operating income	56,524	20,233	36,291	179.37%
Non-operating income and expenses	24,391	17,327	7,064	40.77%
Profit before tax	80,915	37,560	43,355	115.43%
Tax expense	11,253	4,124	7,129	172.87%
Profit	69,662	33,436	36,226	108.34%
Other comprehensive income, net after tax	-2,791	-4,615	1,824	39.52%
Total comprehensive income	66,871	28,821	38,050	132.02%
Profit, attributable to owners of parent	69,662	33,453	36,209	108.24%
Comprehensive income, attributable to owners of parent	66,871	28,838	38,033	131.89%
Analysis of changes in financial ratios:				
1. The increase of revenue, gross profit and net income from operations is mainly due to the increase of the company's profit.				

7.3 Analysis of Cash Flow

7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Year Item	2021	2020	Variance (%)
Cash Flow Ratio (%)	150.29	104.19	44.25%
Cash Flow Adequacy Ratio (%)	59.86	58.05	3.12%
Cash Reinvestment Ratio (%)	1.14	-2.97	138.38%
Analysis of financial ratio change: The increase in Cash Flow Reinvestment Ratio (over 20%): The variation of Cash Flow and Cash Reinvestment Ratio is due to the increase in cash flow from operating activities.			

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
\$678,988	73,295	83,006	669,277	-	-
(1) Analysis of Cash Flow for the Coming Year: a). Estimated Net Cash NT\$ 73,295thousands generated from Operating Activities, mainly due to the estimated sales growth. b). The Cash Flow used in Cash dividends distribution. (2) Remedy for Estimated Cash Deficit and Liquidity Analysis: None					

7.4 Major Capital Expenditure Items : None

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

Unit: NT\$ thousands

Remarks Item	Investment Amount	Policies	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
TSCC Inc.	90,284	Holding	Gain	N/A	N/A
Davicom Investment Inc.	207,702	Investment holding	Loss	Continuous improvement	N/A
Aidia Link Inc.	74,916	Investment	Loss	Continuous improvement	N/A
Medicom Inc.	43,873	Investment	Loss	Continuous improvement	N/A

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1). Risks associated with interest rate and Foreign Exchange Rates :

a). Interest Rate :

	Ratio of Interest Income to Company Income (%)	Ratio of Interest Expense to Company Income (%)
2021	0.66%	0.21%
2020	1.14%	0.27%

b). Exchange Rate :

	Exchange benefit (Loss)	Ratio of Exchange benefit (Loss) to Company Income (%)
2021	(8,256) thousands	(2.91) %
2020	(12,930) thousands	(5.54) %

(2). Risks associated with inflation :

There was no major impact from inflation on the Company's 2021 operations.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions :

The Company did not engage in any high-risk or high-leveraged investments.

The Company formulate the procedures related to lending and endorsement.

7.6.3 Future Research & Development Projects and Corresponding Budget

Research Projects	Progress (%)	Expected Research Expenditure (NT\$)	Expected Completion Schedule
Active RFID and passive RFID application system development	- Independent development of Wireless RFID communication protocol: Under Testing - Active tag and reader: Under Testing - Passive RFID high-efficiency inventory system: Under developing - Active/passive integrated RFID warehouse management system: Under developing	20 million	2022Q4
Low power multi-color Dot-Matrix type EPD driver	IC qualification Ongoing	35 million	2022Q2
Low power MCU with LCD display driver interface for TENS/EMS	IC qualification Ongoing	20 million	2022Q2
Universal Serial Bus to Universal Asynchronous Receiver Transmitter converter control IC	IC qualification Ongoing	20 million	2022Q2

Low power segment type e-paper driver chip	IC is being developed	10 million	2022Q3
Nanosecond precision network timing synchronization of fast Ethernet controller chip	IC is being developed	15 million	2023Q2

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales :

The company has taken appropriate measures to respond to important domestic and foreign policy and legal changes in the recent year, which will not have a significant impact on the company's financial business.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales :

Gross profit margin declined due to intense market competition. The Company focused on enhancing product functions and reducing product costs as the first response measures.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures :

The Company has consistently maintained an ethical business philosophy. Ethics has become the Company's essence in corporate governance.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans : None

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans : None

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration : None

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% : None

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights : None

7.6.12 Litigation or Non-litigation Matters : None

7.6.13 Other Major Risks :

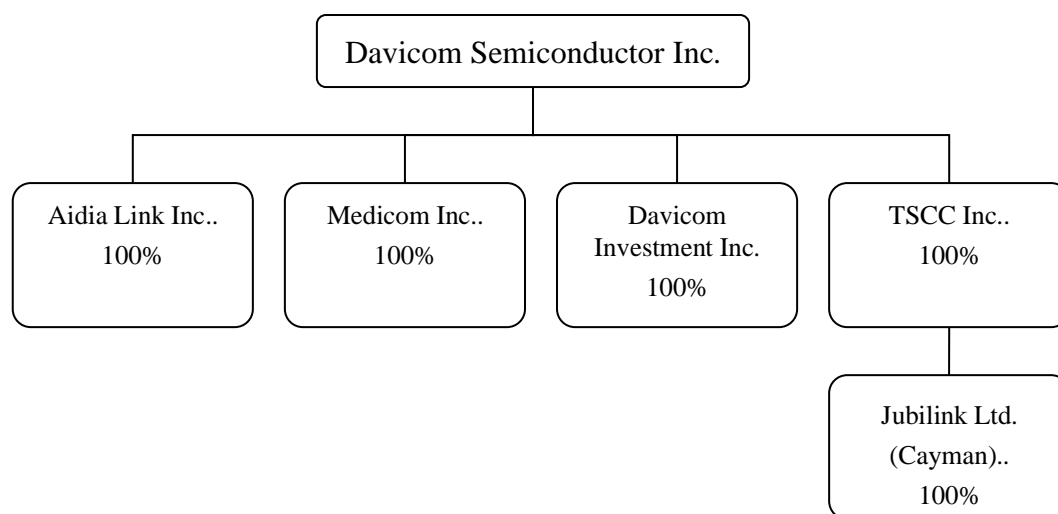
Please refer to page 169~170 of the Chinese annual report.

7.7 Other Material Events : None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 The Company's Affiliated Companies Chart



8.1.2 The Company Affiliated Companies

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
TSCC INC.	Jan. 2002	TrustNet Chambers, Lotemau P.O. Box 1225, Apia, Samoa.	US\$4,400 thousands	Investment activities
Davicom Investment Inc.	Apr. 2006	2F., No. 1, Ln. 53, Xinzhuang St., East Dist., Hsinchu City 300, Taiwan	NT\$212,000 thousands	Investment activities
Medicom Inc.	Jul. 2010	2F., No. 1, Ln. 53, Xinzhuang St., East Dist., Hsinchu City 300, Taiwan	NT\$50,000 thousands	Trade
Aidia Link Inc.	Apr. 2016	15F.-3, No. 60-3, Jianxin Rd., East Dist., Hsinchu City 300, Taiwan	NT\$80,000 thousands	Telecommunication Equipment and Apparatus Manufacturing
Jubilink Ltd.	Jan. 2002	P.O. Box 219, Grand Cayman	US\$2,500 thousands	Investment activities

8.1.3 Common Shareholders of the Company and Its Subsidiaries or Its Affiliates with Actual or Deemed Control : None

8.1.4 Business Scope of the Company and Its Affiliated Companies

Company Name	Major Business
TSCC INC.	Investment activities
Davicom Investment Inc.	Investment activities
Medicom Inc.	Trade
Aidia Link Inc.	Telecommunication Equipment and Apparatus Manufacturing

8.1.5 List of Director, Supervisors and Presidents of the Company's Affiliated Companies

Company Name	Title	Name of Representative	Shares	% of Holding
TSCC INC.	Director	Nien-Tai Chen	4,400,000	100.00%
Davicom Investment Inc.	Chairman and President	Ting Hao	21,200,000	100.00%
	Director	Nien-Tai Chen	21,200,000	100.00%
	Director	Chun-Chun Yang	21,200,000	100.00%
	Supervisor	Kuei-Feng Chiu	21,200,000	100.00%
Medicom Inc.	Chairman	Chun-Chun Yang	5,000,000	100.00%
	Director	Cheng-Feng Chiu	5,000,000	100.00%
	Director	Chih-Fan Hsu	5,000,000	100.00%
	Supervisor	Kuei-Feng Chiu	5,000,000	100.00%
Aidia Link Inc.	Chairman	Ting Hao	8,000,000	100.00%
	Director/President	Ping-Hung Liu	8,000,000	100.00%
	Director	Chun-Chun Yang	8,000,000	100.00%
	Supervisor	Kuei-Feng Chiu	8,000,000	100.00%

8.1.6 Operation Highlights of the Company's Affiliated Companies

Unit: NT\$ thousands

Company Name	Capital	Asset	Liabilities	Net worth	Net Sales	Operation Income(Loss)	Net Income	EPS (NT\$)
TSCC INC.	143,224	90,284	—	90,284	—	(36)	413	0.09
Davicom Investment Inc.	222,000	207,781	80	207,701	—	(367)	(2,458)	(0.12)
Medicom Inc.	50,000	44,007	134	43,873	114	(966)	(931)	(0.19)
Aidia Link Inc.	80,000	75,288	372	74,916	9,369	(2,758)	(3,248)	(0.41)
Jubilink Ltd.	82,725	—	—	—	—	—	—	—

8.1.7 Consolidated Financial Statements of Affiliated Enterprises :

Please refer to Consolidated Financial Statement and Report page 01~58

8.1.8 Business Reports of Affiliated Enterprises : None

8.2 Private Placement Securities in the Most Recent Years : None

8.3 Holding or Disposition of the Company Stocks by Subsidiaries : None

8.4 Other Necessary Supplement : None

IX. Any Events that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan : None

DAVICOM SEMICONDUCTOR , INC.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
FOR THE YEARS ENDED DECEMBER 31, 2021 AND
2020

For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of DAVICOM Semiconductor, Inc.

Opinion

We have audited the accompanying parent company only balance sheets of DAVICOM Semiconductor, Inc. (the "Company") as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other matter section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The Company's key audit matters are as follows:

Evaluation of accounts receivable

Description

Please refer to Note 4(7) for accounting policies on accounts receivable recognition and valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, Note 6(3) for details of accounts receivable. The balance of accounts receivable amounted to NT\$32,894 thousand as at December 31, 2021.

The Company's accounts receivable arises from selling goods, and collecting in accordance with the credit period which is determined by the Credit Quality Control Policy of individual customers' credit quality.

Allowance for uncollectible accounts are based on expected credit losses during its existing period. For the purpose of measurement, underlying receivable should be grouped appropriately and the assumptions should be assessed and analyzed. The aging categories, expected loss ratio and forward-looking information usually include subjective judgement, therefore, we determined the valuation of accounts receivable as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Checked and tested the assumptions of expected credit losses and assessed the reasonableness of the aging categories, including objective evidences used to determine the accuracy of periods and credit terms. Verified whether there are long overdue unrecoverable accounts receivable on the list to assess the adequacy of allowance for uncollectible accounts.
2. Checked and tested accounts receivable aging schedule which is classified based on customer types, subsequent collections, and discussed with management for its assessment of recoverability of past due receivables.

Evaluation of inventories

Description

Please refer to Note 4(10) for accounting policy on inventory valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to inventory valuation, Note 6(4) for details of inventory. The balance of inventory and allowance for inventory valuation losses amounted to NT\$30,788 thousand and NT\$13,181 thousand, respectively, as at December 31, 2021.

The Company is engaged in research, development, production, manufacturing and sales of local area network chipset. Due to rapid changes in technology, the life cycle of products is short and easily affected by market prices, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Company measures inventory for normal sales at the lower of cost or net realisable value method. For inventory aging over certain period, individual inventory valuation losses and obsolete inventory, provision for loss is made through individual identification and measured at net realisable value. As a result of the significant amount, numerous items, and since identifying obsolete and damaged inventory usually involves management judgement, it also belongs to one of the audit scopes involving professional judgement. Therefore, we determined the estimate of inventory valuation losses as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the business, industry, products and inventory aging to assess the provision policy of allowance for inventory valuation losses, verifying whether the related accounting policies are consistent with the last period, and evaluating whether the provision policy is reasonable.
2. Obtained inventory aging report from management, analyse and compare the different reasons for loss due to market value decline and obsolete and slow-moving inventories to assess the appropriateness of loss for market value decline and obsolete and slow-moving inventory policy.
3. For summary statement that management uses to value loss for market value decline and obsolete and slow-moving inventories, confirming whether it agrees with the statement details generated from system, and verifying that obsolete and slow-moving inventories which were provided valuation losses, has been completely listed in the statement.
4. Tested book value of ending inventory, through selecting samples and obtaining invoices of last period to verify whether they were measured at the lower of cost or net realizable value method, and recalculating and valuating the reasonableness of changes in allowance for inventory valuation losses.
5. Participating and observing the year-end physical inventory count to verify the existence and completeness of inventory, and checking the condition of inventory to assess the appropriateness of allowance for inventory valuation losses of obsolete and slow-moving inventories.

Other matters

Reference to report of the other auditors

The share of profit or loss of related companies recognised under the equity method, which is recognised in the audit report of other auditors for the years ended December 31, 2021 and 2020, is NT(\$6,637) thousand and NT\$(3,888) thousand, respectively. Additionally, the recognised comprehensive income comprising share of other comprehensive income in subsidiaries, were both NT\$0 thousand for the abovementioned periods. As of December 31, 2021 and 2020, the balance of the investments accounted for using the equity method was NT\$326,491 thousand and NT\$333,128 thousand, respectively.

Responsibilities of management and those charged with governance for the Parent Company Only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal controls as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditors’ responsibilities for the audit of the Parent Company Only financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the footnote disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Se-Kai Lin

Chia-Hung Lin

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2022

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

DAVICOM SEMICONDUCTOR, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 290,928	25	\$ 283,217	25
1150	Notes receivable, net	6(3)	278	-	59	-
1170	Accounts receivable, net	6(3)	32,894	3	31,856	3
1200	Other receivables		163	-	170	-
1210	Other receivables - related parties	7	-	-	567	-
130X	Inventories, net	6(4)	30,788	3	23,494	2
1410	Prepayments		4,092	-	3,865	-
11XX	Current Assets		359,143	31	343,228	30
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	50,558	4	39,268	3
1550	Investments accounted for under equity method	6(5)	416,775	36	425,601	37
1600	Property, plant and equipment	6(6)	141,172	12	166,738	14
1755	Right-of-use assets	6(7)	60,133	5	61,941	5
1760	Investment property - net	6(9)	121,665	10	100,716	9
1780	Intangible assets		1,267	-	91	-
1840	Deferred income tax assets	6(25)	10,142	1	9,144	1
1900	Other non-current assets	6(10)	11,938	1	13,117	1
15XX	Non-current assets		813,650	69	816,616	70
1XXX	Total assets		\$ 1,172,793	100	\$ 1,159,844	100

(Continued)

DAVICOM SEMICONDUCTOR, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020					
			AMOUNT	%	AMOUNT	%				
Current liabilities										
2130	Current contract liabilities		\$	287	-	\$	94	-		
2150	Notes payable			2,685	-		2,223	-		
2170	Accounts payable			7,217	1		4,850	1		
2200	Other payables	6(11)		27,515	2		25,643	2		
2230	Current income tax liabilities	6(25)		9,369	1		775	-		
2280	Current lease liabilities	6(27)		1,566	-		1,552	-		
2310	Advance receipts			1,210	-		2,077	-		
21XX	Current Liabilities			49,849	4		37,214	3		
Non-current liabilities										
2570	Deferred income tax liabilities	6(25)		512	-		512	-		
2580	Non-current lease liabilities	6(27)		59,382	5		60,948	5		
2600	Other non-current liabilities	6(12)		17,767	2		17,384	2		
25XX	Non-current liabilities			77,661	7		78,844	7		
2XXX	Total Liabilities			127,510	11		116,058	10		
Equity										
	Share capital	6(15)								
3110	Common stock			846,321	72		846,321	73		
	Capital surplus	6(16)								
3200	Capital surplus			121,172	10		157,128	13		
	Retained earnings	6(17)								
3310	Legal reserve			81,835	7		78,569	7		
3350	Undistributed earnings	6(24)		69,517	6		32,727	3		
	Other equity interest									
3400	Other equity interest		(22,711)	(2)	(20,108)	(2)
	Treasury shares	6(15)								
3500	Treasury shares		(50,851)	(4)	(50,851)	(4)
3XXX	Total equity			1,045,283	89		1,043,786	90		
	Significant contingent liabilities and unrecognised contract commitments	9								
3X2X	Total liabilities and equity		\$	1,172,793	100	\$	1,159,844	100		

The accompanying notes are an integral part of these parent company only financial statements.

DAVICOM SEMICONDUCTOR, INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			Year ended December 31			
	Items	Notes	2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(18)	\$ 273,987	100	\$ 225,872	100
5000	Operating costs	6(4)(22)(23)	(75,042)	(28)	(70,625)	(31)
5900	Net operating margin		198,945	72	155,247	69
	Operating expenses	6(22)(23)				
6100	Selling expenses		(24,607)	(9)	(23,711)	(11)
6200	General and administrative expenses		(43,114)	(16)	(41,762)	(18)
6300	Research and development expenses		(72,121)	(26)	(67,489)	(30)
6450	Impairment on expected credit gains (losses)	6(3) and 12(2)	-	-	(500)	-
6000	Total operating expenses		(139,842)	(51)	(133,462)	(59)
6900	Operating income		59,103	21	21,785	10
	Non-operating income and expenses					
7100	Interest income	6(19)	257	-	1,050	-
7010	Other income	6(20)	33,388	12	25,959	12
7020	Other gains and losses	6(21)	(4,996)	(2)	(8,179)	(4)
7050	Finance costs	6(22)	(613)	-	(636)	-
7070	Share of loss of associates and joint ventures accounted for under equity method	6(5)	(6,224)	(2)	(2,402)	(1)
7000	Total non-operating income and expenses		21,812	8	15,792	7
7900	Income from continuing operations before income tax		80,915	29	37,577	17
7950	Income tax expense	6(25)	(11,253)	(4)	(4,124)	(2)
8000	Profit for the year from continuing operations		69,662	25	33,453	15
8200	Profit for the year		<u>\$ 69,662</u>	<u>25</u>	<u>\$ 33,453</u>	<u>15</u>
	Other comprehensive income, net					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(13)	(\$ 235)	-	\$ 293	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	47	-	(59)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(188)	-	234	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		(2,603)	(1)	(4,849)	(2)
8360	Components of other comprehensive income that will be reclassified to profit or loss		(2,603)	(1)	(4,849)	(2)
8300	Other comprehensive loss for the year, net		<u>(\$ 2,791)</u>	<u>(1)</u>	<u>(\$ 4,615)</u>	<u>(2)</u>
8500	Total comprehensive income for the year		<u>\$ 66,871</u>	<u>24</u>	<u>\$ 28,838</u>	<u>13</u>
	Basic earnings per share	6(26)				
9750	Net income		\$ 0.85		\$ 0.41	
9850	Diluted earnings per share	6(26)				
	Net income		<u>\$ 0.85</u>		<u>\$ 0.41</u>	

The accompanying notes are an integral part of these parent company only financial statements.

DAVICOM SEMICONDUCTOR, INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital surplus			Retained earnings		Other equity interest		Treasury stocks	Total equity
		Common stock	Additional paid-in capital	Restricted stock	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Other equity - others		
<u>Year 2020</u>										
Balance at January 1, 2020		\$ 846,551	\$ 138,881	\$ 47,639	\$ 74,393	\$ 42,491	(\$ 15,259)	(\$ 2,231)	(\$ 28,115)	\$1,104,350
Profit for the year		-	-	-	-	33,453	-	-	-	33,453
Other comprehensive income (loss) for the year		-	-	-	-	234	(4,849)	-	-	(4,615)
Total comprehensive income (loss)		-	-	-	-	33,687	(4,849)	-	-	28,838
Appropriation and distribution of 2020 earnings										
Legal reserve		-	-	-	4,176	(4,176)	-	-	-	-
Cash dividends		-	-	-	-	(38,244)	-	-	-	(38,244)
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiaries		-	-	-	-	(1,031)	-	-	-	(1,031)
Cash dividends distributed from capital surplus		-	(29,099)	-	-	-	-	-	-	(29,099)
Restricted stocks to employees		(230)	8,632	(8,925)	-	-	-	2,231	-	1,708
Treasure share repurchased		-	-	-	-	-	-	-	(22,736)	(22,736)
Balance at December 31, 2020		\$ 846,321	\$ 118,414	\$ 38,714	\$ 78,569	\$ 32,727	(\$ 20,108)	\$ -	(\$ 50,851)	\$1,043,786
<u>Year 2021</u>										
Balance at January 1, 2021		\$ 846,321	\$ 118,414	\$ 38,714	\$ 78,569	\$ 32,727	(\$ 20,108)	\$ -	(\$ 50,851)	\$1,043,786
Profit for the year		-	-	-	-	69,662	-	-	-	69,662
Other comprehensive loss for the year		-	-	-	-	(188)	(2,603)	-	-	(2,791)
Total comprehensive income (loss)		-	-	-	-	69,474	(2,603)	-	-	66,871
Appropriation and distribution of 2021 earnings										
Legal reserve		-	-	-	3,266	(3,266)	-	-	-	-
Cash dividends		-	-	-	-	(29,418)	-	-	-	(29,418)
Cash dividends distributed from capital surplus		-	(35,956)	-	-	-	-	-	-	(35,956)
Balance at December 31, 2021		\$ 846,321	\$ 82,458	\$ 38,714	\$ 81,835	\$ 69,517	(\$ 22,711)	\$ -	(\$ 50,851)	\$1,045,283

The accompanying notes are an integral part of these parent company only financial statements.

DAVICOM SEMICONDUCTOR, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 80,915	\$ 37,577
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property and right-of-use assets)	6(6)(7)(9)	8,435	8,461
Amortisation	6(22)	4,097	3,179
Impairment on expected credit losses	6(3) and 12(2)	-	500
Cost of restricted stocks to employees	6(14)(15)	-	1,938
Deferred charges transferred to research and experimental expenses		1,297	2,081
Interest income	6(19)	(257)	(1,050)
Interest expense	6(22)	613	636
Share of profit of associates accounted for under equity method	6(5)	6,224	2,402
Net profit on financial assets at fair value through profit or loss	6(2)(21)	(7,290)	(8,716)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(219)	(59)
Accounts receivable		(1,038)	(916)
Other receivables		8	(27)
Other receivables - related parties		567	(567)
Inventories, net		(7,294)	1,347
Prepayments		(227)	1,935
Financial assets at fair value through profit or loss-non-current		(4,000)	-
Changes in operating liabilities			
Current contract liabilities		193	37
Notes payable		462	(3,721)
Accounts payable		2,367	(6)
Other payables		1,872	(3,147)
Advance receipts		(867)	659
Net defined benefit liabilities		147	175
Cash inflow generated from operations		86,005	42,718
Interest received		256	1,186
Interest paid		(613)	(636)
Income tax received		-	4,494
Income tax paid		(3,610)	(6,193)
Net cash flows from operating activities		82,038	41,569

(Continued)

DAVICOM SEMICONDUCTOR, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for under equity method	6(5)	\$ -	(\$ 117,132)
Dividends received from investments accounted for using equity method		-	26
Acquisition of property, plant and equipment	6(6)	(2,010)	(10,949)
Acquisition of investment property	6(9)	-	(75)
Increase in refundable deposits		-	72
Increase in intangible assets		(1,521)	(186)
Increase in other assets		(3,870)	(2,979)
Net cash flows used in investing activities		(7,401)	(131,223)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in guarantee deposits received	6(12)(27)	-	92
Payments of cash dividends	6(17)	(29,418)	(38,244)
Repayments of principal for lease liabilities	6(7)(27)	(1,552)	(1,537)
Treasure stock repurchase	6(15)	-	(22,736)
Cash dividends from capital surplus		(35,956)	(29,099)
Net cash flows used in financing activities		(66,926)	(91,524)
Net increase (decrease) in cash and cash equivalents		7,711	(181,178)
Cash and cash equivalents at beginning of year		283,217	464,395
Cash and cash equivalents at end of year		\$ 290,928	\$ 283,217

The accompanying notes are an integral part of these parent company only financial statements.

DAVICOM SEMICONDUCTOR, INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Davicom Semiconductor, Inc. (the “Company”) was incorporated on August, 1996, as a corporation limited by shares and opened in the same year. The Company is primarily engaged in the research, development, production, manufacturing and sales of communications network ICs. The Company's stock has been listed on the Taiwan Stock Exchange since August 6, 2007.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements were authorised for issuance by the Board of Directors on February 24, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.	

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

- A. Except for the following items, the parent company only statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The Company initially measures accounts and notes receivable at fair value and subsequently recognises the amortised interest income over the period of circulation using the effective interest method and the impairment loss. A gain or loss is recognised in profit or loss.

(8) Impairment of financial assets

The Company assesses at each balance sheet date including accounts receivable that have a significant financing, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Investments accounted for using equity method / Subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

- C. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", the profit and loss of the parent company only financial statements and other comprehensive gains and losses should be the same as the current profit and loss and other comprehensive gains and losses in the financial statements prepared on an individual basis, which is the share of the owner of the parent company. The parent company only financial statements owner's equity should be included in the financial statements prepared on an individual basis. The owners' equity attributable to the parent company is the same.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	5~51 years
Computer communications equipment	3 ~ 4 years
Other equipment	4 ~ 6 years

(13) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(14) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 5~51 years.

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment

loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial and subsequently amortises the interest expense in profit or loss over the period of circulation using the effective interest method.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(19) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. Restricted stocks:
- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
 - (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Company recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
 - (c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Company and the Company must refund their payments on the stocks. The Company recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(20) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial

recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(21) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(23) Revenue recognition

- A. The Company manufactures and sells communications network ICs. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, when the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. No element of financing is deemed present as the sales

are made with a credit term of 30 to 75 days, which is consistent with market practice.

- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(24) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Critical accounting estimates and assumptions

(1) Evaluation of accounts receivable

When there is objective evidence showing signs of impairment, the Company considers future cash flow estimates. The amount of the impairment loss is measured by the difference between the carrying amount of the asset and the estimated future cash flow at the original effective interest rate of the financial asset. If the actual cash flow is less than expected, there may be significant impairment losses.

(2) Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 125	\$ 75
Checking accounts and demand deposits	246,330	224,400
Time deposits	44,473	58,742
	<u>\$ 290,928</u>	<u>\$ 283,217</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2021	December 31, 2020
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss	\$ 38,761	\$ 34,761
Valuation adjustment	11,797	4,507
	<u>\$ 50,558</u>	<u>\$ 39,268</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,	
	2021	2020
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 7,290</u>	<u>\$ 8,716</u>

B. As of December 31, 2021 and 2020, the Company has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	<u>\$ 278</u>	<u>\$ 59</u>
Accounts receivable	\$ 34,495	\$ 33,457
Less: Allowance for uncollectible accounts	<u>(1,601)</u>	<u>(1,601)</u>
	<u>\$ 32,894</u>	<u>\$ 31,856</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 33,200	\$ 278	\$ 32,753	\$ 59
Up to 30 days	1,295	-	704	-
	<u>\$ 34,495</u>	<u>\$ 278</u>	<u>\$ 33,457</u>	<u>\$ 59</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$31,440.

C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Work in progress	\$ 15,605	(\$ 5,845)	\$ 9,760
Finished goods	28,364	(7,336)	21,028
	<u>\$ 43,969</u>	<u>(\$ 13,181)</u>	<u>\$ 30,788</u>
December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Work in progress	\$ 15,606	(\$ 6,795)	\$ 8,811
Finished goods	21,859	(7,176)	14,683
	<u>\$ 37,465</u>	<u>(\$ 13,971)</u>	<u>\$ 23,494</u>

The cost of the inventories recognised as expense for the period:

Years ended December 31,		
	2021	2020
Cost of goods sold	<u>\$ 75,042</u>	<u>\$ 70,625</u>

(5) Investments accounted for using equity method

	December 31, 2021	December 31, 2020
Davicom Investment Inc.	\$ 207,702	\$ 210,160
TSCC Inc.	90,284	92,473
Medicom Corp.	43,873	44,804
Aidialink Corp.	74,916	78,164
	<u>\$ 416,775</u>	<u>\$ 425,601</u>

A. The investment losses recognised by the Company for the years ended December 31, 2021 and 2020 using the equity method are \$6,224 and \$2,402 respectively, which were recognised based on the investees' financial statements audited by independent auditors in the same periods.

B. For information relating to the subsidiaries of the Company, please refer to Note 4(3) of the 2021 consolidated financial statements of the Company.

(6) Property, plant and equipment

2021					
	Buildings	Computer communications equipment	Construction in progress	Others	Total
<u>At January 1</u>					
Cost	\$ 169,044	\$ 1,096	\$ 52,424	\$ 570	\$ 223,134
Accumulated depreciation	(55,471)	(607)	-	(318)	(56,396)
	<u>\$ 113,573</u>	<u>\$ 489</u>	<u>\$ 52,424</u>	<u>\$ 252</u>	<u>\$ 166,738</u>
Opening net book amount as at	\$ 113,573	\$ 489	\$ 52,424	\$ 252	\$ 166,738
Additions	-	-	1,900	110	2,010
Transfer	30,421		(54,324)	-	(23,903)
Depreciation charge	(3,331)	(215)	-	(127)	(3,673)
Closing net book amount as at December 31	<u>\$ 140,663</u>	<u>\$ 274</u>	<u>\$ -</u>	<u>\$ 235</u>	<u>\$ 141,172</u>
<u>At December 31</u>					
Cost	\$ 199,465	\$ 555	\$ -	\$ 522	\$ 200,542
Accumulated depreciation	(58,802)	(281)	-	(287)	(59,370)
	<u>\$ 140,663</u>	<u>\$ 274</u>	<u>\$ -</u>	<u>\$ 235</u>	<u>\$ 141,172</u>
2020					
	Buildings	Computer communications equipment	Construction in progress	Others	Total
<u>At January 1</u>					
Cost	\$ 169,884	\$ 857	\$ 41,939	\$ 679	\$ 213,359
Accumulated depreciation	(52,443)	(358)	-	(416)	(53,217)
	<u>\$ 117,441</u>	<u>\$ 499</u>	<u>\$ 41,939</u>	<u>\$ 263</u>	<u>\$ 160,142</u>
Opening net book amount as at January 1	\$ 117,441	\$ 499	\$ 41,939	\$ 263	\$ 160,142
Additions	85	239	10,485	140	10,949
Reclassifications	(639)	-	-	-	(639)
Depreciation charge	(3,314)	(249)	-	(151)	(3,714)
Closing net book amount as at December 31	<u>\$ 113,573</u>	<u>\$ 489</u>	<u>\$ 52,424</u>	<u>\$ 252</u>	<u>\$ 166,738</u>
<u>At Deember 31</u>					
Cost	\$ 169,044	\$ 1,096	\$ 52,424	\$ 570	\$ 223,134
Accumulated depreciation	(55,471)	(607)	-	(318)	(56,396)
	<u>\$ 113,573</u>	<u>\$ 489</u>	<u>\$ 52,424</u>	<u>\$ 252</u>	<u>\$ 166,738</u>

(7) Leasing arrangements — lessee

A. The Company leases various assets including land. Rental contracts are typically made for periods for 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	<u>\$ 60,133</u>	<u>\$ 61,941</u>
	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	<u>\$ 1,808</u>	<u>\$ 1,809</u>

C. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 587</u>	<u>\$ 602</u>
Expense on short-term lease contracts	<u>\$ 75</u>	<u>\$ 83</u>
Expense on leases of low-value assets	<u>\$ 125</u>	<u>\$ 97</u>

D. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases was \$2,339 and \$2,319, respectively.

(8) Leasing arrangements – lessor

A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2021 and 2020, the Company recognised rent income in the amounts of \$26,449 and \$24,865, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
2021	-	24,188
2022	22,083	8,823
2023	16,741	5,719
	<u>\$ 38,824</u>	<u>\$ 38,730</u>

(9) Investment property Building

	Years ended December 31,	
	2021	2020
<u>At January 1</u>		
Cost	\$ 149,907	\$ 148,907
Accumulated depreciation	(49,191)	(45,967)
	<u>\$ 100,716</u>	<u>\$ 102,940</u>
Opening net book amount as at January 1	\$ 100,716	\$ 102,940
Additions	-	75
Transfer	23,903	-
Reclassifications	-	639
Depreciation charge	(2,954)	(2,938)
Closing net book amount as at December 31	<u>\$ 121,665</u>	<u>\$ 100,716</u>
<u>At December 31</u>		
Cost	\$ 173,810	\$ 149,907
Accumulated depreciation	(52,145)	(49,191)
	<u>\$ 121,665</u>	<u>\$ 100,716</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Years ended December 31,	
	2021	2020
Rental income from investment property	<u>\$ 26,449</u>	<u>\$ 24,865</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>(\$ 4,983)</u>	<u>(\$ 4,962)</u>

B. The fair value of the investment property held by the Group as at December 31, 2021 and 2022 were both \$151,749 , which was valued by independent valuers. Valuations were made using the cost approach and income approach for each approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	Overall capital interest rate	Ratio of salvage value
Cost approach	1.605%~1.835%	5.00%
		Capitalisation rate
Income approach		8.3%~8.35%

(10) Other non-current assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deferred charges	\$ 9,696	\$ 10,263
Guarantee deposits paid	102	102
Restricted assets	2,140	2,752
	<u>\$ 11,938</u>	<u>\$ 13,117</u>

(11) Others payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wages and bonus payable	\$ 23,257	\$ 18,708
Processing fees payable	1,074	2,761
Others	3,184	4,174
	<u>\$ 27,515</u>	<u>\$ 25,643</u>

(12) Other non-current liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Net defined benefit liability	\$ 14,372	\$ 13,989
Guarantee deposits received	3,395	3,395
	<u>\$ 17,767</u>	<u>\$ 17,384</u>

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations (\$	37,116)	(\$ 36,276)
Fair value of plan assets	22,744	22,287
Net defined benefit liability	<u>(\$ 14,372)</u>	<u>(\$ 13,989)</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2021</u>			
Balance at January 1	(\$ 36,276)	\$ 22,287	(\$ 13,989)
Current service cost	(102)	-	(102)
Interest (expense) income	(181)	111	(70)
	(36,559)	22,398	(14,161)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	322	322
Change in financial assumptions	(20)	-	(20)
Experience adjustments	(537)	-	(537)
	(557)	322	(235)
Pension fund contribution	-	24	24
Paid pension	-	-	-
Balance at December 31	(\$ 37,116)	\$ 22,744	(\$ 14,372)
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</u>			
Balance at January 1	(\$ 39,619)	\$ 25,512	(\$ 14,107)
Current service cost	(101)	-	(101)
Interest (expense) income	(277)	179	(98)
	(39,997)	25,691	(14,306)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	844	844
Change in financial assumptions	(289)	-	(289)
Experience adjustments	(262)	-	(262)
	(551)	844	293
Pension fund contribution	-	24	24
Paid pension	4,272	(4,272)	-
Balance at December 31	(\$ 36,276)	\$ 22,287	(\$ 13,989)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in

domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2021	2020
Discount rate	0.50%	0.50%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 667)	\$ 691	\$ 585	(\$ 571)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 714)	\$ 741	\$ 636	(\$ 619)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amount to \$174.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 1.4 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	(\$	30,769)
1-5 year(s)	(	5,423)
Over 5 years	(	925)
	(\$	<u>37,117</u>)

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the company for the years ended December 31, 2021 and 2020, was \$4,346 and \$4,374, respectively.

(14)Share-based payment

A. For the years ended December 31, 2021 and 2020, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2017.09.29	1,400 (share in thousands)	3 years	1~3 years' service

B. The Board of Directors at their meeting on May 26, 2017 adopted a resolution to issue employee restricted ordinary shares for 2,000 thousand shares and granted 1,400 thousand shares on September 29, 2017. The record date for the capital increase through issuance of employee restricted ordinary shares was set on October 2, 2017 and the subscription price is \$10 (in dollars) per share. From the day of grant, percentage of vesting are 20%, 30%, and 50%, respectively, in sequence from 1 to 3 years.

C. For the year ended December 31, 2020, the compensation fees arising from restricted stocks to employees is \$1,938.

(15)Share capital

A. As of December 31, 2021, the Company’s authorized capital was \$1,200,000, consisting of 120,000 thousand shares of ordinary stock (including 18,000 thousand shares reserved for employee stock options and 400 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was \$846,321 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2021	2020
At January 1	84,632	84,655
Retirement of restricted stock	-	(23)
At December 31	<u>84,632</u>	<u>84,632</u>

- B. The Board of Directors at their meeting on May 26, 2017 adopted a resolution to issue employee restricted ordinary shares for 2,000 thousand shares with the effective date set on August 8, 2017, granted 1,400 thousand shares on September 29, 2017 and the subscription price is \$10 (in dollars) per share. The record date for capital increase of employee restricted ordinary shares was set on October 2, 2017. As at December 31, 2020, the receipts for share capital was \$14,000 and the capital surplus was \$17,850.
- C. The Board of Directors at their meeting on August 10, 2020 adopted a resolution to reacquire 230 thousand employee restricted ordinary shares of non-vesting conditions amounting to 230 thousand dollars. The record date for capital decrease was set on August 21, 2020. Relevant regulator's approval has been obtained and related registration processes have been completed.
- D. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2021	
Name of company holding the shares	Reason for reacquisition	Number of shares (share in thousand)	Carrying amount
The Company	To be reissued to employees	2,915	\$ 50,851

		December 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of shares (share in thousand)	Carrying amount
The Company	To be reissued to employees	2,915	\$ 50,851

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. On July 13, 2021 and June 10, 2020, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to \$35,956 and \$29,099, respectively. As of February 24, 2022, the appropriation of 2021 earnings has not yet been proposed by the Board of Directors.

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings shall first be used to pay all taxes and offset prior years' operating losses and 10% of the remaining amount shall be set aside as legal reserve, then set aside or reverse special reserve in accordance with related regulations. The appropriation of the remainder along with the earnings in prior years shall be proposed by the Board of Directors and resolved at the stockholders' meeting. The Company shall appropriate all the current distributable earnings, taking into consideration the Company's financials, business and operations. Dividends to shareholders can be distributed in the form of cash or shares and cash dividends to shareholders shall account for at least 30% of the total dividends to shareholders.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriation of 2020 and 2019 earnings was resolved by the shareholders on July 13, 2021 and June 10, 2020, respectively. Details are as follows:

	<u>Year ended December 31, 2020</u>		<u>Year ended December 31, 2019</u>	
	Dividends		Dividends	
	per share		per share	
	Amount	(in dollars)	Amount	(in dollars)
Legal reserve	\$ 3,266		\$ 4,176	
Cash dividends	29,418	\$ 0.36	38,244	\$ 0.46

On July 13, 2021 and June 10, 2020, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to \$35,956 and \$29,099, respectively. The abovementioned appropriation of earnings of 2020 and 2019 was in agreement with those amounts proposed by the Board of Directors on April 26, 2021 and February 27, 2020, respectively.

E. As of February 24, 2022, the appropriation of 2021 earnings has not yet been proposed by the Board of Directors.

(18)Operating revenue

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers	\$ 273,987	\$ 225,872

Disaggregation of revenue from contracts with customers

The Company derives revenue at a point in time in the following geographical regions:

	Years ended December 31,	
	2021	2020
China	\$ 171,877	\$ 162,575
Taiwan	50,079	26,631
USA	8,931	2,626
Others	43,100	34,040
	<u>\$ 273,987</u>	<u>\$ 225,872</u>

(19)Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 231	\$ 1,017
Other interest income	26	33
	<u>\$ 257</u>	<u>\$ 1,050</u>

(20)Other income

	Years ended December 31,	
	2021	2020
Rent income	\$ 26,449	\$ 24,865
Dividend income	5,636	-
Other income, others	1,303	1,094
	<u>\$ 33,388</u>	<u>\$ 25,959</u>

(21) Other gains and losses

	Years ended December 31,	
	2021	2020
Net currency exchange loss	(\$ 7,303)	(\$ 11,932)
Net profit on financial assets at fair value through profit or loss	7,290	8,716
Other losses	(4,983)	(4,963)
	<u>(\$ 4,996)</u>	<u>(\$ 8,179)</u>

(22) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense	\$ 613	\$ 636

(23) Expenses by nature

	Years ended December 31,	
	2021	2020
Change in finished goods, work-in-process and raw materials inventory	\$ 31,945	\$ 33,340
Employee benefit expense	110,818	103,157
Product testing fees	23,695	20,288
Amortisation charges	4,097	3,179
Depreciation charges on property, plant and equipment (including right-of-use assets)	5,481	5,523
Other costs and expenses	38,848	38,600
Operating costs and expenses	<u>\$ 214,884</u>	<u>\$ 204,087</u>

(24) Employee benefit expense

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 92,526	\$ 86,451
Labour and health insurance fees	7,858	7,378
Pension costs	4,518	4,573
Directors' remuneration	2,798	1,845
Other personnel expenses	3,118	2,910
	<u>\$ 110,818</u>	<u>\$ 103,157</u>

As of December 31, 2021 and 2020, the number of employees of the Company was 76 and 77 , respectively, and the number of directors who were not concurrently employees were both 2.

For the years ended December 31, 2021 and 2020, average employee benefits were \$1,460 and \$1,420, respectively; average employee salary were \$1,250 and \$1,222, respectively. The average employee salary increased by 2.29% year over year.

- A. According to the Articles of Incorporation of the Company, a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Directors' remuneration shall be distributed in cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive employees' compensation in the form of stock or cash are set by the Board of Directors.
- B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$7,685 and \$3,569, respectively; directors' and supervisors' remuneration was accrued at \$1,808 and \$838, respectively. The aforementioned amounts were recognised in salary expenses.
- The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 8.5% and 2% of distributable profit of current year as of the end of reporting period. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$7,685 and \$1,808, respectively, and the employees' compensation will be distributed in the form of cash.
- Employees' compensation and directors' and supervisors' remuneration of 2020 as resolved by the meeting of the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.
- Information about employees' bonus and directors' and supervisors' remuneration of the Company as approved by the meeting of Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(Following blank)

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 12,352	\$ 4,321
Additional income tax imposed on unappropriated earnings	2	-
Prior year income tax (overestimation) underestimation	(150)	413
Total current tax	12,204	4,734
Deferred tax:		
Origination and reversal of temporary differences	(951)	(610)
Income tax expense	\$ 11,253	\$ 4,124

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2021	2020
Remeasurement of defined benefit obligations	\$ 47	(\$ 59)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 16,183	\$ 7,515
Effect from items disallowed by tax regulation	(130)	(2,007)
Effect from temporary difference	(83)	(199)
Effect from tax credits of investment	(4,569)	(1,598)
Additional tax on undistributed earnings	2	-
Prior year income tax underestimation	(150)	413
Income tax expense	\$ 11,253	\$ 4,124

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

Year ended December 31, 2021				
			Recognised in other comprehensive income	
	January 1	Recognised in profit or loss		December 31
Deferred tax assets:				
–Temporary differences:				
Inventory retirement losses	\$ 814	\$ -	\$ -	\$ 814
Loss for market value decline and obsolete and slow-moving inventories	2,794	(158)	-	2,636
Unrealised exchange loss	1,549	1,156	-	2,705
Unused compensated absences	1,431	(77)	-	1,354
Other	2,556	30	47	2,633
Subtotal	\$ 9,144	\$ 951	\$ 47	\$ 10,142
Deferred tax liabilities:				
–Temporary differences:				
Currency temporary differences	(\$ 512)	\$ -	\$ -	(\$ 512)
Subtotal	(\$ 512)	\$ -	\$ -	(\$ 512)
Total	\$ 8,632	\$ 951	\$ 47	\$ 9,630

Year ended December 31, 2020				
			Recognised in other comprehensive income	
	January 1	Recognised in profit or loss		December 31
Deferred tax assets:				
–Temporary differences:				
Inventory retirement losses	\$ 814	\$ -	\$ -	\$ 814
Loss for market value decline and obsolete and slow-moving inventories	2,794	-	-	2,794
Unrealised exchange loss	1,030	519	-	1,549
Unused compensated absences	1,375	56	-	1,431
Other	2,580	35	(59)	2,556
Subtotal	\$ 8,593	\$ 610	(\$ 59)	\$ 9,144
Deferred tax liabilities:				
–Temporary differences:				
Currency temporary differences	(\$ 512)	\$ -	\$ -	(\$ 512)
Subtotal	(\$ 512)	\$ -	\$ -	(\$ 512)
Total	\$ 8,081	\$ 610	(\$ 59)	\$ 8,632

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(26) Earnings per share

Year ended December 31, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 69,662	81,717	\$ 0.85
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 69,662	81,717	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	259	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 69,662	81,976	\$ 0.85
Year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 33,453	82,032	\$ 0.41
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 33,453	82,032	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	178	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 33,453	82,210	\$ 0.41

(27) Changes in liabilities from financing activities

	Year ended December 31, 2021		
	Lease liability	Guarantee deposits received	Liabilities from
			financing activities-gross
At January 1	\$ 62,500	\$ 3,395	\$ 65,895
Changes in cash flow from financing activities	(1,552)	-	(1,552)
At December 31	<u>\$ 60,948</u>	<u>\$ 3,395</u>	<u>\$ 64,343</u>

	Year ended December 31, 2020		
	Lease liability	Guarantee deposits received	Liabilities from
			financing activities-gross
At January 1	\$ 64,037	\$ 3,303	\$ 67,340
Changes in cash flow from financing activities	(1,537)	92	(1,445)
At December 31	<u>\$ 62,500</u>	<u>\$ 3,395</u>	<u>\$ 65,895</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Aidialink Corp.	Subsidiary

(2) Significant related party transactions

A. Receivables from related parties:

	December 31, 2021	December 31, 2020
Other receivables:		
Aidialink Corp.	<u>\$ -</u>	<u>\$ 567</u>

B. Other revenue:

	Years ended December 31,	
	2021	2020
Management consulting (shown as miscellaneous income)		
Aidialink Corp.	<u>\$ 540</u>	<u>\$ 540</u>
Rent income		
Aidialink Corp.	<u>\$ 1,008</u>	<u>\$ -</u>

(3) Key management compensation

	Years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	\$ 16,098	\$ 10,259

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Time deposits (shown as other non-current assets)	\$ 2,140	\$ 2,752	Performance guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHER

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 50,558	\$ 39,268
Financial assets at amortised cost		
Cash and cash equivalents	\$ 290,928	\$ 283,217
Notes receivable	278	59
Accounts receivable	32,894	31,856
Other receivables	163	170
Guarantee deposits paid	102	102
Other financial assets	2,140	2,752
	<u>\$ 326,505</u>	<u>\$ 318,156</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 2,685	\$ 2,223
Accounts payable	7,217	4,850
Other accounts payable	27,515	25,643
Guarantee deposits received	3,395	3,395
	<u>\$ 40,812</u>	<u>\$ 36,111</u>
Lease liability	<u>\$ 60,948</u>	<u>\$ 62,500</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The management provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2021							
				Sensitivity analysis			
Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$	10,703	27.680	\$ 296,259	1%	\$ 2,963	\$ -
RMB:NTD		14	4.340	\$ 61	1%	1	-
<u>Investments accounted for using equity method</u>							
USD:NTD	\$	3,262	27.680	\$ 90,292	1%	\$ -	\$ 903
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	\$	162	27.680	\$ 4,484	1%	\$ 45	\$ -
December 31, 2020							
				Sensitivity analysis			
Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$	10,421	28.480	\$ 296,790	1%	\$ 2,968	\$ -
RMB:NTD		14	4.377	61	1%	1	-
<u>Investments accounted for using equity method</u>							
USD:NTD	\$	3,247	28.480	\$ 92,473	1%	\$ -	\$ 925
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	\$	170	28.480	\$ 4,842	1%	\$ 48	\$ -

- ii. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020, amounted to (\$7,303) and (\$11,932), respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value

of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2021 and 2020, other components of equity would have increased/decreased by \$506 and \$393, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only independent rated parties with a minimum rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external rating in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. The Company classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies the simplified approach to estimate expected credit loss under the provision matrix basis.
- v. The Company used the forecast ability of Taiwan Institute of Economic Research report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2021 and 2020, the provision matrix, loss rate methodology is as follows:

	Group A	Group B	Total
<u>December 31, 2021</u>			
Expected loss rate	0.03%	3.73%	
Total book value	\$ 18,149	\$ 16,346	\$ 34,495
Loss allowance	\$ 6	\$ 1,595	\$ 1,601
	Group A	Group B	Total
<u>December 31, 2020</u>			
Expected loss rate	0.03%	4.09%~4.14%	
Total book value	\$ 23,730	\$ 9,727	\$ 33,457
Loss allowance	\$ 7	\$ 1,594	\$ 1,601

- vi. Movement in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable is as follows:

	Years ended December 31,	
	2021	2020
At January 1	\$ 1,601	\$ 1,101
Provision for impairment	-	500
Reversal of impairment loss	-	-
At December 31	<u>\$ 1,601</u>	<u>\$ 1,601</u>

According to the above method, the allowance loss on the accounts receivable as of December 31, 2021 and 2020, should be \$617 and \$410, respectively, which is not significantly different from the amount of allowance loss on the current account. For the years ended December 31, 2021 and 2020, there was no impairment loss arising from customers' contracts.

(c) Liquidity risk

- i. Cash flow forecasting is performed by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management will be invested in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2021				
Lease liability	\$ 2,673	\$ 2,138	\$ 6,415	\$ 60,412
Other financial liabilities (shown as other non-current liabilities)	900	2,495	-	

Non-derivative financial liabilities:	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2020				
Lease liability	\$ 2,138	\$ 2,138	\$ 6,415	62,550
Other financial liabilities (shown as other non-current liabilities)	\$ 1,583	\$ 900	\$ 912	

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and emerging stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of nature of the assets and liabilities is as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ -	\$ -	\$ 50,558	\$ 50,558
December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ -	\$ -	\$ 39,268	\$ 39,268

(b)The methods and assumptions the Company used to measure fair value are as follows:

- i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Emerging stocks</u>
Market quoted price	Closing price	Last transaction price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

- iv. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Non-derivative equity instrument</u>	<u>Non-derivative equity instrument</u>
At January 1	\$ 39,268	\$ 30,552
	4,000	-
Gains and losses recognised in profit or loss		
Recorded as non-operating income and expenses	7,290	8,716
At December 31	<u>\$ 50,558</u>	<u>\$ 39,268</u>

- F. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.
- G. Finance department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

		Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	\$	50,558	Net asset value	Not applicable	-	Not applicable
		Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	\$	39,268	Net asset value	Not applicable	-	Not applicable

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 2.

(3) Major shareholders information

Major shareholders information: Please refer to table 3.

14. SEGMENT INFORMATION

Not applicable.

(Following blank)

DAVICOM SEMICONDUCTOR , INC.

CASH

DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 1

Items	Summary	Amount	Footnote
Petty cash		\$ 125	
Cash in banks			
Checking accounts		1,703	
Demend deposits		3,642	
Foreign currency deposits	USD \$ 8,704	240,925	Exchange rate 27.6800
	CHY \$ 14	60	Exchange rate 4.3440
Time deposits		16,793	
	USD \$ 1,000	27,680	Exchange rate 27.6800
		<u>\$ 290,928</u>	

DAVICOM SEMICONDUCTOR , INC.
ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 2

A	Summary	Amount	Footnote
A		\$ 5,410	
B		6,241	
C		5,507	
D		2,482	
E		4,239	
F		2,376	
G		1,715	The balance of each client
Others		6,525	is less than 5% of this account.
		34,495	
Less: Allowance for uncollectible accounts		(1,601)	
		<u>\$ 32,894</u>	

DAVICOM SEMICONDUCTOR , INC.

INVENTORIES

DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 3

Items	Summary	Amount		Footnote
		Cost	Value	
Work in process		\$ 15,605	\$ 13,075	The net realizable value of work in process and finished is the market price.
Finished goods		<u>28,354</u>	<u>25,134</u>	
		43,959	<u>\$ 38,209</u>	
Less: Allowance for valuation loss and obsolescence		(<u>13,181</u>)		
		<u>\$ 30,778</u>		

DAVICOM SEMICONDUCTOR , INC.
SALES REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 4

Items	Quantity	Amount	Footnote
Sales revenue			
Network control chipset	6,908,642 PCS	\$ 245,921	
Electronic paper	716,811 PCS	5,210	
Video Decoder	312,830 PCS	17,665	
Data processor chipset	10,808 PCS	1,131	
Others	40,000 PCS	2,283	
		272,210	
Technical Service Revenue		1,777	
		\$ 273,987	

DAVICOM SEMICONDUCTOR , INC.
OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 5

Items	Amount
Others	\$ 17
Cost of purchases	17
Purchased in this period	35,123
Less: Engineering experiment requirments	(870)
Raw materials used in this period	34,253
Manufacturing expense	43,059
Manufacturing cost	77,312
Add: Beginning work in process	15,606
Engineering experiment pick up return	(200)
Less: Ending work in progress	(15,605)
Return of engineering experiment requirments	87
Cost of finished goods	77,200
Add: Beginning finished goods	21,859
Purchased in this period	5,202
Less: Ending finished goods	(28,364)
Engineering experiment requirments	(120)
Cost of goods sold	75,794
Gain from price recovery of inventory	(790)
Cost of goods manufactured and sold	75,004
Service costs	38
Operating costs	\$ 75,042

DAVICOM SEMICONDUCTOR , INC.
OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 6

Item	Amount
Selling expenses	
Salary expenditure	\$ 17,561
Insurance expenses	1,566
Other expenses	5,480
Subtotal	24,607
General & administrative expenses	
Salary expenditure	22,068
Consulting expenses	3,639
Services expense	2,928
Other expenses	14,479
Subtotal	43,114
Research and development expenses	
Salary expenditure	49,651
Research experiment fees	4,154
Insurance expenses	5,060
Other expenses	13,256
Subtotal	72,121
	\$ 139,842

DAVICOM SEMICONDUCTOR , INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY
FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 7

Function Nature	Year ended December 31, 2021			Year ended December 31, 2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 6,044	\$ 86,482	\$ 92,526	\$ 5,993	\$ 80,458	\$ 86,451
Labour and health insurance fees	631	7,227	7,858	573	6,805	7,378
Pension costs	351	4,167	4,518	336	4,237	4,573
Directors' remuneration	-	2,798	2,798	-	1,845	1,845
Other personnel expenses	255	2,863	3,118	227	2,683	2,910
Depreciation Expense	417	5,065	5,482	410	5,113	5,523
Amortisation Expense	1,357	2,739	4,096	898	2,281	3,179

Note:

1. As of December 31, 2021 and 2020, the number of employees of the Company was 76 and 77, respectively. The number of directors who were not employees were both 2.
- 2.A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
 - (1) For the years ended December 31, 2021 and 2020, average employee benefits were \$1,460 and \$1,420, respectively.
 - (2) For the years ended December 31, 2021 and 2020, average employee salary were \$1,250 and \$1,222, respectively.
 - (3) The average employee salary decreased by 2.29% year over year.
- 3.Please disclose the company's remuneration policy (including directors, individual directors, managerial officers and employees).
 - (1) Directors and Independent Director's remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risk and time spent:
 - A. According to the standard of payment on attendance and transportation by board of directors, directors' remuneration were paid on normal level.

DAVICOM SEMICONDUCTOR , INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY
FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 7

- B. According to the Articles 28 of Incorporation of the Company, the Board of Directors is authorised to determine a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- (2) Managerial officers' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risk and time spent:
- A. The total compensation paid to the executive officers is decided based on their job responsibility, contribution, and company performance.
It is reviewed by the Compensation Committee then submitted to the Board of Directors for approval.
- B. According to the Articles 28 of Incorporation of the Company, the Board of Directors is authorised to determine a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- (3) Employees' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risk and time spent:
- A. The compensation policy of employees have a positive correlation with contribution for company, personal performance, and operating performance.
And the Company has controled to future risk appropriately, so compensation policy was also related to future risks to a certain degree.
Salary compensations were composed of three parts: basic wages, bonus and employee compensation, benefit.
The payment standard for basic wages is based on company policy and market competition about his/her position.
For bonus and employee compensation are based on company operating performance and targets completed by employees or departments.
And for employee benefits, prior to compliance with laws and regulations, are based on integrated needs of employees to create excellent benefits.
- B. According to the Articles 28 of Incorporation of the Company, the Board of Directors is authorised to determine a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- (4) The company has set up an audit committee, so there is no supervisor's remuneration.

**DAVICOM SEMICONDUCTOR, INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2021 AND
2020**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

DAVICOM Semiconductor, Inc.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2021, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Company name: DAVICOM SEMICONDUCTOR, INC.

Representative: HAO, TING

February 24, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of DAVICOM SEMICONDUCTOR, INC.

Opinion

We have reviewed the accompanying consolidated balance sheets of DAVICOM Semiconductor, Inc. and its subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The Group's key audit matters are as follows:

Evaluation of accounts receivable

Description

Please refer to Note 4(9) for accounting policies on accounts receivable recognition and valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, Note 6(4) for details of accounts receivable. The balance of accounts receivable amounted to NT\$34,078 thousand as at December 31, 2021.

The Group's accounts receivable arises from selling goods, and collecting in accordance with the credit period which is determined by the Credit Quality Control Policy of individual customers' credit quality. Allowance for uncollectible accounts are based on expected credit losses during its existing period. For the purpose of measurement, underlying receivable should be grouped appropriately and the assumptions should be assessed and analyzed. The aging categories, expected loss ratio and forward-looking information usually include subjective judgement, therefore, we determined the valuation of accounts receivable as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Checked and tested the assumptions of expected credit losses and assessed the reasonableness of the aging categories, including objective evidences used to determine the accuracy of periods and credit terms. Verified whether there are long overdue unrecoverable accounts receivable on the list to assess the adequacy of allowance for uncollectible accounts.
2. Checked and tested accounts receivable aging schedule which is classified based on customer types, subsequent collections, and discussed with management for its assessment of recoverability of past due receivables.

Evaluation of inventories

Description

Please refer to Note 4(12) for accounting policy on inventory valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to inventory valuation, Note 6(5) for details of inventory. The balance of inventory and allowance for inventory valuation losses amounted to NT\$34,821 thousand and NT\$13,181 thousand as at December 31, 2021, respectively.

The Group is engaged in research, development, production, manufacturing and sales of local area network chipset. Due to rapid changes in technology, the life cycle of products is short and easily affected by market prices, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group measures inventory for normal sales at the lower of cost or net realisable value method. For inventory aging over certain period, individual inventory valuation losses and obsolete inventory, provision for loss is made through individual identification and measured at net realizable value. As a result of the significant amount, numerous items, and since identifying obsolete and damaged inventory usually involves management judgement, it also belongs to one of the audit scopes involving professional judgement. Therefore, we determined the estimate of inventory valuation losses as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the business, industry, products and inventory aging to assess the provision policy of allowance for inventory valuation losses, verifying whether the related accounting policies are consistent with the last period, and evaluating whether the provision policy is reasonable.
2. Obtained inventory aging report from management, analyse and compare the different reasons for loss due to market value decline and obsolete and slow-moving inventories to assess the appropriateness of loss for market value decline and obsolete and slow-moving inventory policy.

3. For summary statement that management uses to value loss for market value decline and obsolete and slow-moving inventories, confirming whether it agrees with the statement details generated from system, and verifying that obsolete and slow-moving inventories which were provided valuation losses, has been completely listed in the statement.
4. Tested book value of ending inventory, through selecting samples and obtaining invoices of last period to verify whether they were measured at the lower of cost or net realizable value method, and recalculating and valuating the reasonableness of changes in allowance for inventory valuation losses.
5. Participating and observing the year-end physical inventory count to verify the existence and completeness of inventory, and checking the condition of inventory to assess the appropriateness of allowance for inventory valuation losses of obsolete and slow-moving inventories.

Other matters

Reference to report of the other auditors

We did not audit the financial statements of a wholly-owned consolidated subsidiary that are included in the financial statements. Total assets of the subsidiary amounted to NT\$327,076 thousand and NT\$334,257 thousand as at December 31, 2021 and 2020, constituting 27.87% and 28.81% of consolidated total assets, respectively. Operating income of the subsidiary amounted to NT\$9,483 thousand and NT\$7,669 thousand, for the years ended December 31, 2021 and 2020, constituting 3.35% and 3.28% of consolidated total operating income, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

Parent company only financial reports

We have audited and expressed an unqualified opinion including an Other Matter paragraph on the parent company only financial statements of DAVICOM Semiconductor, Inc. as at and for the years ended December 31, 2021 and 2020.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal controls as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the footnote disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Se-Kai Lin

Chia-Hung Lin

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

			(Expressed in thousands of New Taiwan dollars)			
			December 31, 2021		December 31, 2020	
Assets		Notes	AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 678,988	58	\$ 680,171	59
1150	Notes receivable, net	6(4)	278	-	59	
1170	Accounts receivable, net	6(4)	34,078	3	32,612	3
1200	Other receivables		192	-	499	-
130X	Inventories, net	6(5)	34,821	3	25,324	2
1410	Prepayments		4,466	-	4,237	-
1470	Other current assets		-	-	54	-
11XX	Total Current Assets		752,823	64	742,956	64
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	74,185	6	65,704	6
1600	Property, plant and equipment, net	6(6)	141,172	12	166,738	14
1755	Right-of-use assets	6(7)	60,133	5	61,941	5
1760	Investment property, net	6(9)	121,665	11	100,716	9
1780	Intangible assets		1,267	-	91	-
1840	Deferred income tax assets	6(25)	10,142	1	9,144	1
1900	Other non-current assets	6(10)	11,992	1	13,117	1
15XX	Total Non-current Assets		420,556	36	417,451	36
1XXX	Total assets		\$ 1,173,379	100	\$ 1,160,407	100

(Continued)

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

(Expressed in thousands of New Taiwan dollars)						
Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2130	Current contract liabilities		\$ 287	-	\$ 94	-
2150	Notes payable		2,686	-	2,223	-
2170	Accounts payable		7,349	1	4,892	1
2200	Other payables	6(11)	27,959	2	26,155	2
2230	Current income tax liabilities	6(25)	9,369	1	775	-
2280	Current lease liabilities	12(2)	1,566	-	1,552	-
2300	Other current liabilities		1,219	-	2,086	-
21XX	Current Liabilities		50,435	4	37,777	3
Non-current liabilities						
2570	Deferred income tax liabilities	6(25)	512	-	512	-
2580	Non-current lease liabilities	12(2)	59,382	5	60,948	5
2600	Other non-current liabilities	6(12)	17,767	2	17,384	2
25XX	Non-current liabilities		77,661	7	78,844	7
2XXX	Total Liabilities		128,096	11	116,621	10
Equity attributable to owners of parent						
	Share capital	6(15)				
3110	Common stock		846,321	72	846,321	73
	Capital surplus	6(16)				
3200	Capital surplus		121,172	10	157,128	13
	Retained earnings	6(17)				
3310	Legal reserve		81,835	7	78,569	7
3350	Undistributed earnings		69,517	6	32,727	3
	Other equity interest					
3400	Other equity interest		(22,711)	(2)	(20,108)	(2)
	Treasury shares	6(14)				
3500	Treasury shares		(50,851)	(4)	(50,851)	(4)
31XX	Equity attributable to owners of the parent		1,045,283	89	1,043,786	90
36XX	Non-controlling interest		-	-	-	-
3XXX	Total equity		1,045,283	89	1,043,786	90
3X2X	Total liabilities and equity		\$ 1,173,379	100	\$ 1,160,407	100

The accompanying notes are an integral part of these consolidated financial statements.

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

		Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
Items						
4000	Sales revenue	6(18)	\$ 283,470	100	\$ 233,542	100
5000	Operating costs	6(5)(23)(24)	(81,903)	(29)	(76,765)	(33)
5900	Net operating margin		201,567	71	156,777	67
	Operating expenses	6(23)(24)				
6100	Selling expenses		(28,706)	(10)	(25,810)	(11)
6200	General and administrative expenses		(43,621)	(15)	(42,746)	(18)
6300	Research and development expenses		(72,716)	(26)	(67,488)	(29)
6450	Impairment on expected credit losses	6(4) and 12(2)	-	-	(500)	-
6000	Total operating expenses		(145,043)	(51)	(136,544)	(58)
6900	Operating income		56,524	20	20,233	9
	Non-operating income and expenses					
7100	Interest income	6(19)	1,874	1	2,671	1
7010	Other income	6(20)	31,887	11	26,206	11
7020	Other gains and losses	6(21)	(8,757)	(3)	(10,914)	(5)
7050	Finance costs	6(22)	(613)	-	(636)	-
7000	Total non-operating income and expenses		24,391	9	17,327	7
7900	Income from continuing operations before income tax		80,915	29	37,560	16
7950	Income tax expense	6(25)	(11,253)	(4)	(4,124)	(2)
8000	Profit for the year from continuing operations		69,662	25	33,436	14
8200	Profit for the year		\$ 69,662	25	\$ 33,436	14

(Continued)

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
	Other comprehensive income					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans		(\$ 235)	-	\$ 293	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		47	-	(59)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		(2,603)	(1)	(4,849)	(2)
8360	Components of other comprehensive income that will be reclassified to profit or loss		(2,603)	(1)	(4,849)	(2)
8300	Total other comprehensive loss for the year		(\$ 2,791)	(1)	(\$ 4,615)	(2)
8500	Total comprehensive income for the year		<u>\$ 66,871</u>	<u>24</u>	<u>\$ 28,821</u>	<u>12</u>
	Profit (loss), attributable to:					
8610	Owners of parent		\$ 69,662	25	\$ 33,453	14
8620	Non-controlling interest		<u>-</u>	<u>-</u>	<u>(17)</u>	<u>-</u>
			<u>\$ 69,662</u>	<u>25</u>	<u>\$ 33,436</u>	<u>14</u>
	Comprehensive income (loss), attributable to:					
8710	Owners of parent		\$ 66,871	24	\$ 28,838	12
8720	Non-controlling interest		<u>-</u>	<u>-</u>	<u>(17)</u>	<u>-</u>
			<u>\$ 66,871</u>	<u>24</u>	<u>\$ 28,821</u>	<u>12</u>
	Basic earnings per share	6(26)				
9750	Net income		<u>\$ 0.85</u>		<u>\$ 0.41</u>	
	Diluted earnings per share	6(26)				
9850	Net income		<u>\$ 0.85</u>		<u>\$ 0.41</u>	

The accompanying notes are an integral part of these consolidated financial statements.

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent											
		Capital surplus			Retained earnings		Other equity interest			Treasury shares	Total	Non-controlling interest	Total equity
		Common stock	Additional paid-in capital	Others	Legal reserve	Undistributed earnings	Exchange differences from translation of foreign operations	Unearned compensation for restricted employee share of stock					
<u>Year ended December 31, 2020</u>													
Balance at January 1, 2020		\$ 846,551	\$ 138,881	\$47,639	\$ 74,393	\$ 42,491	(\$ 15,259)	(\$ 2,231)	(\$ 28,115)	\$ 1,104,350	\$ 1,118	\$ 1,105,468	
Profit (loss) for the year		-	-	-	-	33,453	-	-	-	33,453	(17)	33,436	
Other comprehensive (loss) income for the year		-	-	-	-	234	(4,849)	-	-	(4,615)	-	(4,615)	
Total comprehensive (loss) income		-	-	-	-	33,687	(4,849)	-	-	28,838	(17)	28,821	
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiaries		-	-	-	-	(1,031)	-	-	-	(1,031)	-	(1,031)	
Change of non-controlling interests		-	-	-	-	-	-	-	-	-	(1,101)	(1,101)	
Appropriation and distribution of 2019 earnings	6(17)												
Legal reserve		-	-	-	4,176	(4,176)	-	-	-	-	-	-	
Cash dividends		-	-	-	-	(38,244)	-	-	-	(38,244)	-	(38,244)	
Cash dividends distributed from capital surplus	6(16)(17)	-	(29,099)	-	-	-	-	-	-	(29,099)	-	(29,099)	
Restricted stocks to employees	6(14)(15)	(230)	8,632	(8,925)	-	-	-	2,231	-	1,708	-	1,708	
Treasure shares repurchased	6(15)	-	-	-	-	-	-	-	(22,736)	(22,736)	-	(22,736)	
Balance at December 31, 2020		\$ 846,321	\$ 118,414	\$38,714	\$ 78,569	\$ 32,727	(\$ 20,108)	\$ -	(\$ 50,851)	\$ 1,043,786	\$ -	\$ 1,043,786	
<u>Year ended December 31, 2021</u>													
Balance at January 1, 2021		\$ 846,321	\$ 118,414	\$38,714	\$ 78,569	\$ 32,727	(\$ 20,108)	\$ -	(\$ 50,851)	\$ 1,043,786	\$ -	\$ 1,043,786	
Profit for the year		-	-	-	-	69,662	-	-	-	69,662	-	69,662	
Other comprehensive loss for the year		-	-	-	-	(188)	(2,603)	-	-	(2,791)	-	(2,791)	
Total comprehensive income (loss)		-	-	-	-	69,474	(2,603)	-	-	66,871	-	66,871	
Appropriation and distribution of 2020 earnings	6(17)												
Legal reserve		-	-	-	3,266	(3,266)	-	-	-	-	-	-	
Cash dividends		-	-	-	-	(29,418)	-	-	-	(29,418)	-	(29,418)	
Cash dividends distributed from capital surplus	6(16)(17)	-	(35,956)	-	-	-	-	-	-	(35,956)	-	(35,956)	
Balance at December 31, 2021		\$ 846,321	\$ 82,458	\$38,714	\$ 81,835	\$ 69,517	(\$ 22,711)	\$ -	(\$ 50,851)	\$ 1,045,283	\$ -	\$ 1,045,283	

The accompanying notes are an integral part of these consolidated financial statements.

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 80,915	\$ 37,560
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property and right-of-use assets)	6(6)(7)(9)	8,435	8,461
Amortisation	6(23)	4,097	3,179
Impairment on expected credit loss	12(2)	-	500
Deferred charges transferred to research and experimental expenses		1,297	2,081
Cost of restricted stocks to employees	6(14)(15)	-	1,938
Interest income	6(19)	(1,874)	(2,671)
Interest expense	6(22)	613	636
Net loss on financial assets at fair value through profit or loss	6(2)(21)	(4,481)	(6,973)
Gain on disposal of property, plant and equipment	6(21)	-	(6)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss- current		-	763
Notes receivable	(	219)	(59)
Accounts receivable	(	1,466)	(791)
Other receivables		10	(27)
Inventories	(	9,497)	2,200
Prepayments	(	229)	1,614
Other current assets		54	(54)
Financial assets at fair value through profit or loss- non-current	(	4,000)	-
Changes in operating liabilities			
Current contract liabilities		193	37
Notes payable		463	(3,721)
Accounts payable		2,457	(2,529)
Other payables		1,804	(3,037)
Net defined benefit liabilities		147	175
Other current liabilities	(	867)	(725)
Cash inflow generated from operations		77,852	38,551
Interest received		2,171	3,084
Interest paid	(	613)	(636)
Income tax received		-	4,591
Income tax paid	(	3,610)	(6,232)
Net cash flows from operating activities		75,800	39,358
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(6)	(2,010)	(10,949)
Proceeds from disposal of property, plant and equipment		-	846
Acquisition of investment property		-	(75)
Increase in intangible assets	(	1,521)	(186)
(Increase) decrease in refundable deposits	(	54)	72
Increase in other assets	(	3,870)	(2,979)
Net cash flows used in investing activities	(	7,455)	(13,271)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in guarantee deposits received		-	92
Payments of cash dividends	6(16)(17)	(29,418)	(38,244)
Repayment of principal portion of lease liabilities	6(7)(27)	(1,552)	(1,537)
Acquisition of ownership interests in subsidiaries		-	(2,132)
Treasury shares repurchased	6(15)	-	(22,736)
Cash dividends from capital surplus	6(16)(17)	(35,956)	(29,099)
Net cash flows used in financing activities	(	66,926)	(93,656)
Effect of foreign exchange rate changes on cash and cash equivalents	(	2,602)	(4,827)
Net decrease in cash and cash equivalents	(	1,183)	(72,396)
Cash and cash equivalents at beginning of year		680,171	752,567
Cash and cash equivalents at end of year		\$ 678,988	\$ 680,171

The accompanying notes are an integral part of these consolidated financial statements.

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Davicom Semiconductor, Inc. (the “Company”) was incorporated as a corporation under provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research, development, production, manufacturing and sales of communications network ICs.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were reported to the Board of Directors on February 24, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1)Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group.

New standards, interpretations and amendments endorsed by FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting standard 34, ‘Interim financial reporting’ as endorsed by the FSC.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”), requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2021	December 31, 2020
Davicom Semiconductor, Inc.	Medicom Corp.	Manufacturing and designing of IC	100.00	100.00
Davicom Semiconductor, Inc.	Davicom Investment Inc.	Investment company	100.00	100.00
Davicom Semiconductor, Inc.	TSCC Inc.	Reinvestment business	100.00	100.00
Davicom Semiconductor, Inc.	Aidialink Corp.	Wireless communication machinery and equipment manufacturing industry.	100.00	100.00
TSCC Inc.	JUBILINK LIMITED	Reinvestment business	100.00	100.00

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective

interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The Group initially measures accounts and notes receivable at fair value and subsequently recognises the amortised interest income over the period of circulation using the effective interest method and the impairment loss. A gain or loss is recognised in profit or loss.

(10) Impairment of financial assets

The Group assesses at each balance sheet date including accounts receivable that have a significant financing, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate

equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate, and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate, and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	5~51 years
Computer communications equipment	3 ~ 4 years
Other equipment	5 ~ 6 years

(15) Leasing arrangements (lessee) — right-of-use assets/lease liability

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end

of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 5~ 51 years.

(17) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial and subsequently amortises the interest expense in profit or loss over the period of circulation using the effective interest method.

(20) Employee benefit

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services

with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Employee share-based-payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. Restricted stocks:
 - (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

- (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
- (c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks, the Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

- A. The Group manufactures and sells communications network ICs. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. When the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. No element of financing is deemed present as the sales are made with a credit term of 30 to 75 days, which is consistent with market practice.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of accounts receivable

When there is objective evidence showing signs of impairment, the Group considers future cash flow estimates. The amount of the impairment loss is measured by the difference between the carrying amount of the asset and the estimated future cash flow at the original effective interest rate of the financial asset. If the actual cash flow is less than expected, there may be significant impairment losses.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 125	\$ 85
Checking accounts and demand deposits	514,766	530,037
Time deposits	164,097	150,049
	<u>\$ 678,988</u>	<u>\$ 680,171</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	\$ 38,761	\$ 34,761
Beneficiary certificates	29,000	29,000
Subtotal	67,761	63,761
Valuation adjustment	6,424	1,943
	<u>\$ 74,185</u>	<u>\$ 65,704</u>

- A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 4,481</u>	<u>\$ 6,973</u>

- B. As of December 31, 2021 and 2020, the Company has no financial assets at fair value through profit or loss pledged to others.
- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost (December 31, 2020: None)

<u>Items</u>	<u>December 31, 2021</u>
Current items:	
Time deposits with maturity over three months	<u>\$ -</u>

- A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below (December 31, 2020 : None)

	<u>Year ended December 31, 2021</u>
Interest income	<u>\$ 385</u>

- B. As of December 31, 2021, the Group has no financial assets at amortised cost pledged to others.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 278	\$ 59
Accounts receivable	\$ 35,679	\$ 34,213
Less: Allowance for uncollectible accounts	(1,601)	(1,601)
	<u>\$ 34,078</u>	<u>\$ 32,612</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 34,385	\$ 278	\$ 33,509	\$ 59
Up to 30 days	1,294	-	704	-
31 to 90 days	-	-	-	-
	<u>\$ 35,679</u>	<u>\$ 278</u>	<u>\$ 34,213</u>	<u>\$ 59</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$32,321.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(5) Inventories

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Work in progress	\$ 15,605	(\$ 5,845)	\$ 9,760
Finished goods	32,397	(7,336)	25,061
	<u>\$ 48,002</u>	<u>(\$ 13,181)</u>	<u>\$ 34,821</u>
	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Work in process	\$ 15,606	(\$ 6,795)	\$ 8,811
Finished goods	23,689	(7,176)	16,513
	<u>\$ 39,295</u>	<u>(\$ 13,971)</u>	<u>\$ 25,324</u>

The cost of inventories recognised as expenses for the period:

	Years ended December 31,	
	2021	2020
Cost of goods sold	\$ 81,903	\$ 76,765

(6) Property, plant and equipment

	2021					
	Buildings and structures	Computer communications equipment	Transportation equipment	Construction in progress	Others	Total
<u>At January 1</u>						
Cost	\$ 169,044	\$ 1,096	\$ -	\$ 52,424	\$ 570	\$ 223,134
Accumulated depreciation	(55,471)	(607)	-	-	(318)	(56,396)
	<u>\$ 113,573</u>	<u>\$ 489</u>	<u>\$ -</u>	<u>\$ 52,424</u>	<u>\$ 252</u>	<u>\$ 166,738</u>
Opening net book amount as at January 1	\$ 113,573	\$ 489	\$ -	\$ 52,424	\$ 252	\$ 166,738
Additions	-	-	-	1,900	110	2,010
Transfer	30,421			(54,324)	-	(23,903)
Depreciation charge	(3,331)	(215)	-	-	(127)	(3,673)
Closing net book amount as at December 31	<u>\$ 140,663</u>	<u>\$ 274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235</u>	<u>\$ 141,172</u>
<u>At December 31</u>						
Cost	\$ 199,465	\$ 555	\$ -	\$ -	\$ 522	\$ 200,542
Accumulated depreciation	(58,802)	(281)	-	-	(287)	(59,370)
	<u>\$ 140,663</u>	<u>\$ 274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235</u>	<u>\$ 141,172</u>

	2020					
	Buildings and structures	Computer communications equipment	Transportation equipment	Construction in progress	Others	Total
<u>At January 1</u>						
Cost	\$ 169,884	\$ 857	\$ 2,325	\$ 41,939	\$ 679	\$ 215,684
Accumulated depreciation	(52,443)	(358)	(1,485)	-	(416)	(54,702)
	<u>\$ 117,441</u>	<u>\$ 499</u>	<u>\$ 840</u>	<u>\$ 41,939</u>	<u>\$ 263</u>	<u>\$ 160,982</u>
Opening net book amount as at January 1	\$ 117,441	\$ 499	\$ 840	\$ 41,939	\$ 263	\$ 160,982
Additions	85	239	-	10,485	140	10,949
Reclassifications	(639)	-	-	-	-	(639)
Disposals	-	-	(840)	-	-	(840)
Depreciation charge	(3,314)	(249)	-	-	(151)	(3,714)
Closing net book amount as at December 31	<u>\$ 113,573</u>	<u>\$ 489</u>	<u>\$ -</u>	<u>\$ 52,424</u>	<u>\$ 252</u>	<u>\$ 166,738</u>
<u>At December 31</u>						
Cost	\$ 169,044	\$ 1,096	\$ -	\$ 52,424	\$ 570	\$ 223,134
Accumulated depreciation	(55,471)	(607)	-	-	(318)	(56,396)
	<u>\$ 113,573</u>	<u>\$ 489</u>	<u>\$ -</u>	<u>\$ 52,424</u>	<u>\$ 252</u>	<u>\$ 166,738</u>

The Group has no financial assets at fair value through profit or loss pledged to others.

(7) Leasing arrangements—lessee

A. The Group leases assets including land. Rental contracts are made for periods of 20 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Land	<u>\$ 60,133</u>	<u>\$ 61,941</u>
	Years ended December 31,	
	2021	2020
	Depreciation charge	Depreciation charge
Land	<u>\$ 1,808</u>	<u>\$ 1,809</u>

C. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 587	\$ 602
Expense on short-term lease contracts	\$ 159	\$ 83
Expense on leases of low-value assets	\$ 143	\$ 97

D. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases was \$2,441 and \$2,319, respectively.

(8) Leasing arrangements – lessor

A. The Group leases assets including buildings. Rental contracts are typically made for periods of 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2021 and 2020, the Company recognised rent income in the amounts of \$25,441 and \$24,865, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2021	December 31, 2020
2021	-	24,188
2022	22,083	8,823
2023	16,741	5,719
	<u>\$ 38,824</u>	<u>\$ 38,730</u>

(9) Investment property

	Years ended December 31,	
	2021	2020
At January 1		
Cost	\$ 149,907	\$ 148,907
Accumulated depreciation	(49,191)	(45,967)
	<u>\$ 100,716</u>	<u>\$ 102,940</u>
Opening net book amount as at January 1	\$ 100,716	\$ 102,940
Additions	-	75
Reclassifications	23,903	639
Depreciation charge	(2,954)	(2,938)
Closing net book amount as at December 31	<u>\$ 121,665</u>	<u>\$ 100,716</u>
At December 31		
Cost	\$ 173,810	\$ 149,907
Accumulated depreciation	(52,145)	(49,191)
	<u>\$ 121,665</u>	<u>\$ 100,716</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Years ended December 31,	
	2021	2020
Rental income from investment property	\$ 25,441	\$ 24,865
Direct operating expenses arising from the investment property that generated rental income during the period	(\$ 4,983)	(\$ 4,962)

B. The fair value of the investment property held by the Group as at December 31, 2021 and 2020 were both \$151,749, which was valued by independent valuers. Valuations were made using the cost approach and income approach for each approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	Overall capital interest rate	Ratio of salvage value
Cost approach	1.605%~1.835%	5.00%
Income approach		Capitalisation rate 8.30%~8.35%

(10) Other non-current assets

	December 31, 2021	December 31, 2020
Deferred charges	\$ 9,696	\$ 10,263
Guarantee deposits paid	156	102
Restricted assets	2,140	2,752
	<u>\$ 11,992</u>	<u>\$ 13,117</u>

Details of the Group's financial assets pledged to others as collateral are provided in Note 8.

(11) Other payables

	December 31, 2021	December 31, 2020
Wages and bonus payable	\$ 23,394	\$ 18,919
Processing fees payable	1,074	2,761
Others	3,491	4,475
	<u>\$ 27,959</u>	<u>\$ 26,155</u>

(12) Other non-current liabilities

	December 31, 2021	December 31, 2020
Net defined benefit liability	\$ 14,372	\$ 13,989
Guarantee deposits received	3,395	3,395
	<u>\$ 17,767</u>	<u>\$ 17,384</u>

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor

Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations (\$	37,116)	(\$ 36,276)
Fair value of plan assets	22,744	22,287
Net defined benefit liability	(\$ 14,372)	(\$ 13,989)

(c) Movements in net defined benefit liabilities are as follows:

	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 36,276)	\$ 22,287	(\$ 13,989)
Current service cost	(102)	-	(\$ 102)
Interest (expense) income	(181)	111	(\$ 70)
	(36,559)	22,398	(14,161)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	322	322
Change in financial assumptions	(20)	-	(20)
Experience adjustments	(537)	-	(537)
	(557)	322	(235)
Pension fund contribution	-	24	24
Paid pension	-	-	-
At December 31	(\$ 37,116)	\$ 22,744	(\$ 14,372)

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 39,619)	\$ 25,512	(\$ 14,107)
Current service cost	(101)	-	(101)
Interest (expense) income	(277)	179	(98)
	(39,997)	25,691	(14,306)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	844	844
Change in financial assumptions	(289)	-	(289)
Experience adjustments	(262)	-	(262)
	(551)	844	293
Pension fund contribution	-	24	24
Paid pension	4,272	(4,272)	-
At December 31	(\$ 36,276)	\$ 22,287	(\$ 13,989)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2021	2020
Discount rate	0.50%	0.50%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 667)	\$ 691	\$ 585	(\$ 571)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 714)	\$ 714	\$ 636	(\$ 619)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amount to \$174.
- (g) As of December 31, 2021, the weighted average duration of the retirement plan is 1.4 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	(\$ 30,769)
1-5 year(s)	(5,423)
Over 5 years	(925)
	(\$ 37,117)

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the company for the years ended December 31, 2021 and 2020, was \$4,415 and \$4,400, respectively.

(14) Share-based payment (Year ended December 31, 2021: None.)

- A. For the years ended December 31, 2020, the Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Restricted stock to employee	2017.09.29	1,400 (share in thousands)	3 years	1~3 years' service

- B. The Board of Directors at their meeting on May 26, 2017 adopted a resolution to issue employee restricted ordinary shares for 2,000 thousand shares and granted 1,400 thousand shares on September 29, 2017. The record date for the capital increase through issuance of employee restricted ordinary shares was set on October 2, 2017 and the subscription price is \$10 (in dollars) per share. From the day of grant, percentage of vesting are 20%, 30%, and 50%, respectively, in sequence from 1 to 3 years.
- C. For the year ended December 31, 2020, the compensation fees arising from restricted stocks to employees is \$1,938.

(15) Share capital

- A. As of December 31, 2021, the Company's authorized capital was \$1,200,000, consisting of 120,000 thousand shares of ordinary stock (including 18,000 thousand shares reserved for employee stock options and 400 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was \$846,321 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>2021</u>	<u>2020</u>
At January 1	\$ 84,632	\$ 84,655
Employee restricted shares	-	(23)
At December 31	<u>\$ 84,632</u>	<u>\$ 84,632</u>

- B. The shareholders' meeting on May 26, 2017 adopted a resolution to issue employee restricted ordinary shares for 2,000 thousand shares with the effective date set on August 8, 2017, granted 1,400 thousand shares on September 29, 2017 and the subscription price is \$10 (in dollars) per share. The record date for capital increase of employee restricted ordinary shares was set on October 2, 2017. As at December 31, 2020, the receipts for share capital was \$14,000 and the capital surplus was \$17,850.
- C. The Board of Directors at their meeting on August 10, 2020 adopted a resolution to reacquire 23 thousand employee restricted ordinary shares of non-vesting conditions amounting to 230 thousand dollars. The record date for capital decrease was set on August 21, 2020. Relevant regulator's approval has been obtained and related registration processes have been completed.
- D. Treasury shares
- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2021	
Name of company holding the shares	Reason for reacquisition	Number of shares	
		(share in thousands)	Carrying amount
The Company	To be reissued to employees	2,915	\$ 50,851

		December 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of shares	
		(share in thousands)	Carrying amount
The Company	To be reissued to employees	2,915	\$ 50,851

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. On July 13, 2021 and June 10, 2020, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to \$35,956 and \$29,099, respectively. As of February 24, 2022, the appropriation of 2021 earnings has not yet been proposed by the Board of Directors.

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings shall first be used to pay all taxes and offset prior years' operating losses and 10% of the remaining amount shall be set aside as legal reserve, then set aside or reverse special reserve in accordance with related regulations. The appropriation of the remainder along with the earnings in prior years shall be proposed by the Board of Directors and resolved at the stockholders' meeting. The Company shall appropriate all the current distributable earnings, taking into consideration the

Company's financials, business and operations. Dividends to shareholders can be distributed in the form of cash or shares and cash dividends to shareholders shall account for at least 30% of the total dividends to shareholders.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriation of 2020 and 2019 earnings was resolved by the shareholders on July 13, 2021 and June 10, 2020. Details are as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 3,266		\$ 4,176	
Cash dividends	29,418	\$ 0.36	38,244	\$ 0.46

On July 13, 2021 and June 10, 2020, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to \$35,956 and \$29,099, respectively. The abovementioned appropriation of earnings of 2020 and 2019 was in agreement with those amounts proposed by the Board of Directors on April 26, 2021 and February 27, 2020, respectively.

- E. As of February 24, 2022, the appropriation of 2021 earnings has not yet been proposed by the Board of Directors.

(18) Operating revenue

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers	\$ 283,470	\$ 233,542

Disaggregation of revenue from contracts with customers.

The Group derives revenue at a point in time in the following geographical regions:

	Years ended December 31,	
	2021	2020
China	\$ 172,293	\$ 162,966
Taiwan	54,553	30,006
USA	9,045	4,037
Other	47,579	36,533
	<u>\$ 283,470</u>	<u>\$ 233,542</u>

(19) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 419	\$ 2,638
Interest income from financial assets measured at amortised cost	385	-
Other interest income	1,070	33
	<u>\$ 1,874</u>	<u>\$ 2,671</u>

(20) Other income

	Years ended December 31,	
	2021	2020
Rent income	\$ 25,441	\$ 24,865
Dividend income	5,636	783
Other income, others	810	558
	<u>\$ 31,887</u>	<u>\$ 26,206</u>

(21) Other gains and losses

	Years ended December 31,	
	2021	2020
Net currency exchange losses	(\$ 8,256)	(\$ 12,930)
Net profit on financial assets at fair value through profit or loss	4,481	6,973
Gains on disposal of property, plant and equipment	-	6
Other losses	(4,982)	(4,963)
	<u>(\$ 8,757)</u>	<u>(\$ 10,914)</u>

(22) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense	\$ 613	\$ 636

(23) Expenses by nature

	Years ended December 31,	
	2021	2020
Changes in finished goods, work-in-process and raw materials inventory	\$ 38,806	\$ 39,479
Employee benefit expense	114,029	105,001
Depreciation charges on property, plant and equipment (including right-of-use assets)	5,481	5,523
Amortisation charges	4,097	3,179
Product testing fees	23,695	20,288
Other costs and expenses	40,838	39,839
Operating costs and expenses	<u>\$ 226,946</u>	<u>\$ 213,309</u>

(24) Employee benefit expense

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 95,292	\$ 88,113
Labour and health insurance fees	8,132	7,479
Pension costs	4,587	4,599
Directors' remuneration	2,798	1,845
Other personnel expenses	3,220	2,965
	<u>\$ 114,029</u>	<u>\$ 105,001</u>

- A. According to the Articles of Incorporation of the Company, a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Directors' remuneration shall be distributed in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive employees' compensation in the form of stock or cash are set by the Board of Directors.
- B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$7,685 and \$3,569, respectively; directors' and supervisors' remuneration was accrued at \$1,808 and \$838, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 8.5% and 2% of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' and supervisors' remuneration of 2020 as resolved by the meeting of the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.

Information about employees' bonus and directors' and supervisors' remuneration of the Company as approved by the meeting of Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 12,352	\$ 4,321
Additional income tax imposed on unappropriated earnings	2	-
Prior year income tax (over) underestimation	(150)	413
Total current tax	<u>12,204</u>	<u>4,734</u>
Deferred tax:		
Origination and reversal of temporary differences	(951)	(610)
Income tax expense	<u>\$ 11,253</u>	<u>\$ 4,124</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2021	2020
Remeasurement of defined benefit obligations	<u>47</u>	<u>(59)</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 16,183	\$ 6,733
Effect from items disallowed by tax regulation	(130)	(2,086)
Effect from temporary difference	(83)	662
Effect from tax credits of investment	(4,569)	(1,598)
Additional tax on undistributed earnings	2	-
Prior year income tax underestimation	(150)	413
Income tax expense	<u>\$ 11,253</u>	<u>\$ 4,124</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Inventory retirement losses	\$ 814	\$ -	\$ -	\$ 814
Loss for market value decline and obsolete and slow-moving inventories	2,794	(158)	-	2,636
Unrealised exchange loss	1,549	1,156	-	2,705
Unused compensated absences	1,431	(77)	-	1,354
Other	2,556	30	47	2,633
Subtotal	<u>\$ 9,144</u>	<u>\$ 951</u>	<u>\$ 47</u>	<u>\$ 10,142</u>
Deferred tax liabilities:				
-Temporary differences:				
Currency temporary differences	(\$ 512)	\$ -	\$ -	(\$ 512)
Subtotal	<u>(\$ 512)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 512)</u>
Total	<u>\$ 8,632</u>	<u>\$ 951</u>	<u>\$ 47</u>	<u>\$ 9,630</u>

2020				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Inventory retirement losses	\$ 814	\$ -	\$ -	\$ 814
Loss for market value decline and obsolete and slow-moving inventories	2,794	-	-	2,794
Unrealised exchange loss	1,030	519	-	1,549
Unused compensated absences	1,375	56	-	1,431
Other	2,581	34	(59)	2,556
Subtotal	<u>\$ 8,594</u>	<u>\$ 609</u>	<u>(\$ 59)</u>	<u>\$ 9,144</u>
Deferred tax liabilities:				
-Temporary differences:				
Currency temporary differences	(\$ 512)	\$ -	\$ -	(\$ 512)
Unrealised exchange loss	(1)	1	-	-
Subtotal	<u>(513)</u>	<u>1</u>	<u>-</u>	<u>(512)</u>
Total	<u>\$ 8,081</u>	<u>\$ 610</u>	<u>(\$ 59)</u>	<u>\$ 8,632</u>

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(26) Earnings per share

Years ended December 31, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 69,662	81,717	\$ 0.85
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 69,662	81,717	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	259	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 69,662	\$ 81,976	\$ 0.85

Year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 33,453	82,032	\$ 0.41
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	33,453	82,032	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	178	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 33,453	\$ 82,210	\$ 0.41

(27) Changes in liabilities from financing activities

Year ended December 31, 2021			
	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 62,500	\$ 3,395	\$ 65,895
Changes in cash flow from financing activities	(1,552)	-	(1,552)
At December 31	<u>\$ 60,948</u>	<u>\$ 3,395</u>	<u>\$ 64,343</u>

Year ended December 31, 2020			
	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 64,037	\$ 3,303	\$ 67,340
Changes in cash flow from financing activities	(1,537)	92	(1,445)
At December 31	<u>\$ 62,500</u>	<u>\$ 3,395</u>	<u>\$ 65,895</u>

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	<u>\$ 16,098</u>	<u>\$ 10,259</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Time deposits (shown as other non-current assets)	\$ 2,140	\$ 2,752	Performance guarantee
Guarantee deposits paid (shown as other non-current assets)	54	-	Performance guarantee
	<u>\$ 2,194</u>	<u>\$ 2,752</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 74,185	\$ 65,704
Financial assets at amortised cost		
Cash and cash equivalents	\$ 678,988	\$ 680,171
Notes receivable	278	59
Accounts receivable	34,078	32,612
Other accounts receivable	192	499
Guarantee deposits paid	156	156
Other non-current assets	2,140	2,752
	<u>\$ 715,832</u>	<u>\$ 716,249</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Notes payable	\$ 2,686	\$ 2,223
Accounts payable	7,349	4,892
Other accounts payable	27,959	26,155
Guarantee deposits received	3,395	3,395
	<u>\$ 41,389</u>	<u>\$ 36,665</u>
Lease liability	<u>\$ 60,948</u>	<u>\$ 62,500</u>

B. Financial risk management policies

- The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- Risk management is carried out by a treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The management provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and

investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2021										
	Foreign currency amount (In thousands)		Book value (NTD)	Sensitivity analysis		Effect on other comprehensive income				
	Exchange rate	Degree of variation		Effect on profit or loss						
(Foreign currency: functional currency)										
<u>Financial assets</u>										
<u>Monetary items</u>										
USD:NTD	\$	14,500	27.68	\$	401,360	1%	\$	4,014	\$	-
RMB:NTD		14	4.34		61	1%		1		-
HKD:NTD		2,326	3.55		8,257	1%		83		-
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD:NTD	\$	162	27.68	\$	4,484	1%	\$	45	\$	-
December 31, 2020										
	Foreign currency amount (In thousands)		Book value (NTD)	Sensitivity analysis		Effect on other comprehensive income				
	Exchange rate	Degree of variation		Effect on profit or loss						
(Foreign currency: functional currency)										
<u>Financial assets</u>										
<u>Monetary items</u>										
USD:NTD	\$	14,049	28.48	\$	400,116	1%	\$	4,001	\$	-
RMB:NTD		14	4.38		61	1%		1		-
HKD:NTD		2,326	3.67		8,536	1%		85		-
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD:NTD	\$	170	28.48	\$	4,842	1%	\$	48	\$	-

- ii. The total exchange loss including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020 amounted to (\$8,256) and (\$12,930), respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2021 and 2020, other components of equity would have increased/decreased by \$742 and \$657, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independent rated parties with a minimum rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external rating in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- iii. The Group adopts assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.
- v. The Group used the forecast ability of Taiwan Institute of Economic Research report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2021 and 2020, the provision matrix, loss rate methodology is as follows:

	Group A	Group B	Total
December 31, 2021			
Expected loss rate	0.03%	3.73%	
Total book value	\$ 19,333	\$ 16,346	\$ 35,679
Loss allowance	\$ 6	\$ 1,595	\$ 1,601

	Group A	Group B	Total
December 31, 2020			
Expected loss rate	0.03%	4.09%~4.14%	
Total book value	\$ 24,486	\$ 9,727	\$ 34,213
Loss allowance	\$ 7	\$ 1,594	\$ 1,601

- vi. Movement in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable is as follows:

	Years ended December 31	
	2021	2020
At January 1	\$ 1,601	\$ 1,101
Provision for impairment	-	500
At December 31	\$ 1,601	\$ 1,601

According to the above method, the allowance loss on the accounts receivable as of December 31, 2021 and 2020, should be \$617 and \$410, respectively, which is not significantly different from the amount of allowance loss on the current account. For the years ended December 31, 2021 and 2020, there was no impairment loss arising from customers' contracts.

(c) Liquidity risk

- i Cash flow forecasting is performed by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management will be invested in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date for

non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Except for notes payable, accounts payable and other payables, the amount of undiscounted contractual cash flows is approximately at its carrying amount and is due within one year. The amount of undiscounted contractual cash flows of the remaining financial liabilities is as follows:

<u>Non-derivative financial liabilities:</u>	Less	Between	Between	Over
December 31, 2021	<u>than 1 year</u>	<u>1 and 2 years</u>	<u>2 and 5 years</u>	<u>5 years</u>
Lease liability	\$ 2,673	\$ 2,138	\$ 6,415	\$ 60,412
Other financial liabilities (shown as other non-current liabilities)	900	2,495	-	-

<u>Non-derivative financial liabilities:</u>	Less	Between	Between	Over
December 31, 2020	<u>than 1 year</u>	<u>1 and 2 years</u>	<u>2 and 5 years</u>	<u>5 years</u>
Lease liability	\$ 2,138	\$ 2,138	\$ 6,415	\$ 62,551
Other financial liabilities (shown as other non-current liabilities)	1,583	900	912	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

The Group's financial instruments not measured at fair value including cash and cash equivalents, notes and accounts receivable, other receivables, Guarantee deposits paid, notes and accounts payable, other payable and lease liability(includes current and non-current) approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 23,627</u>	<u>\$ -</u>	<u>\$ 50,558</u>	<u>\$ 74,185</u>
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 26,436</u>	<u>\$ -</u>	<u>\$ 39,268</u>	<u>\$ 65,704</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Emerging stocks</u>
Market quoted price	<u>Closing price</u>	<u>Last transaction price</u>

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

iv. The Group takes into account adjustments for credit risks to measure the fair value of

financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

- D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.
- E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	Years ended December 31,	
	2021	2020
	Non-derivative equity instrument	Non-derivative equity instrument
At January 1	\$ 39,268	\$ 30,552
Acquired in the period	4,000	-
Losses recognised in profit or loss	7,290	8,716
At December 31	<u>\$ 50,558</u>	<u>\$ 39,268</u>

- F. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.
- G. Finance department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 50,558	Net asset value	Not applicable	-	Not applicable
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 39,268	Net asset value	Not applicable	-	Not applicable

(4) Others

The Group assessed that the business and financial aspects during the third quarter of 2021 were not affected by Covid-19, and that the Group's operations are all normal.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2.

(3) Major shareholders information

Major shareholders information: Please refer to table 3.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry and is mainly engaged in distribution of communications Network ICs or related services. The Chief Operating Decision-Maker who allocates resources and assesses performance of the Group as a whole has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Years ended December 31,	
	2021	2020
Revenue from external customers	\$ 283,470	\$ 233,542
Depreciation and amortisation (including investment property, right-of-use assets)	12,532	11,640
Income tax expense	11,253	4,124
Reportable segments income	69,662	33,436
Assets of reportable segments	1,173,379	1,160,407
Capital expenditure in non-current assets of reportable segments	3,531	11,210
Liabilities of reportable segments	128,096	116,621

(3) Reconciliation for segment income (loss)

The revenue from external customers, profit or loss, assets and liabilities reported to the Chief Operating Decision-Maker is measured in manner consistent with that financial statements. Thus, reconciliation is not required.

(4) Information on products and services

Details of revenue is as follows:

	Year ended December 31,	
	2021	2020
Sales revenue	\$ 279,289	\$ 227,741
Service revenue	4,181	5,801
	<u>\$ 283,470</u>	<u>\$ 233,542</u>

(5) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Years ended December 31,			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 172,293	\$ -	\$ 162,966	\$ -
Taiwan	54,553	336,229	30,006	342,603
USA	9,045	-	4,037	-
Others	47,579	-	36,533	-
	<u>\$ 283,470</u>	<u>\$ 336,229</u>	<u>\$ 233,542</u>	<u>\$ 342,603</u>

(6) Major customer information

For the years ended December 31, 2021 and 2020, details of the Group's sale revenue from customers accounted for more than 10% of sales amounts in the consolidated statements of comprehensive income are as follows:

	Years ended December 31,			
	2021		2020	
	Revenue	Segment	Revenue	Segment
C	\$ 79,470	28	\$ 65,947	28
A	33,390	12	35,656	15
B	34,947	12	32,988	14
	<u>\$ 147,807</u>	<u>52</u>	<u>\$ 134,591</u>	<u>57</u>

(Following blank)